

# MINUTES

## METROPOLITAN EMPLOYEE BENEFIT SYSTEM INVESTMENT COMMITTEE

December 9, 2014 at 9:30 a.m.  
Howard Office Building, 700 2<sup>nd</sup> Avenue South, 1<sup>st</sup> Floor

---

The Investment Committee met on Tuesday, December 9, 2014 at 9:30 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: Tom Eddlemon, Treasurer, Fadi BouSamra, CIO and Katherine Banani  
Metro Legal: Jason Bobo and Margaret Darby, Metro Assistant Attorneys  
VOYA Representatives: John Cox and Deltra Hayes  
Other attendees: Timothy Bryan and Doris Hendrix

- **Establish a quorum:** Mr. Riebeling established that a quorum was present and the meeting was called to order.
- **Approval of minutes from the August 28, 2014 meeting:** Ms. Bradley made a motion to approve the August 28 minutes. Mr. Curtis seconded the motion. The motion passed unanimously.
- **Review Metro pension 3<sup>rd</sup> quarter 2014 performance:** Mr. Ralph reviewed Summit Strategies' economic summary and the Metro Plan's performance. The total fund returned 0.10% for the quarter, outperforming the Policy Index of -0.52%. The Plan ranked in the 7<sup>th</sup> percentile among peers for the quarter. The total fund returned 12.68% for the trailing 12 months, outperforming the Policy Index of 9.65% and ranking in the 7<sup>th</sup> percentile among peers.
- **Recommendations:** Mr. BouSamra and Mr. Ralph presented two recommendations for consideration.

### Equity:

**PIMCO Managed Volatility:** Mr. Ralph reviewed a two-page presentation regarding PIMCO Managed Volatility strategy. He explained that this strategy targets a volatility level as opposed static exposure to the market. This is accomplished by having futures exposure to the S&P 500 or other indices. The collateral for the exposure can be managed in various

PIMCO fixed income strategies or custom strategies with a significant portion in cash. For the collateral management, Staff may utilize any of the Fixed Income strategies approved for use. Staff intends to use cash and the Unconstrained Bond Fund for the collateral pool. After discussion and questions, Mr. Curtis made a motion to accept Staff's written recommendations to allow staff to implement the PIMCO Managed Volatility strategy, funded by \$100 million from the LA Capital enhanced S&P 500, which would result in terminating LA Capital. Ms Bradley seconded the motion and the Committee voted unanimously in favor.

**Alternative Fixed Income:**

**OSP Value Fund:** Mr. Ralph reviewed a two-page presentation regarding the OSP Value Fund. The O'Brien Stanley Partners (OSP) team has mainly purchased economic development loans from municipalities at deep discounts. Metro negotiated getting a 1% management fee with 8% preferred return and 20% carried interest on a \$30 million commitment. The "founders" share fee schedule will allow the Plan to invest at the founders share fee in the future. After discussions and questions, Mr. Curtis made a motion to accept Staff's written recommendations to commit \$30 million to OSP Value Fund. Ms Bradley seconded the motion and the Committee voted unanimously in favor.

- **General Updates:** Mr. BouSamra handed out a general update list and highlighted the following items:
  1. A Staff Travel Expense Report was distributed and presented.
  2. The Operational Report for FY14 was distributed and presented.
  3. The Metro State of the Plan FYE 6/30/14 was distributed as requested previously by the Committee.
  4. Metro sold \$5 million of the \$15 million (par) held in Marathon CLO for 1.17 times par value.
  5. The 2015 Investment Committee meeting dates: February 24, May 26, August 27 and November 19
  
- **MetroMax 457(b) Activity Report:** Mr. Cox distributed and reviewed the 3<sup>rd</sup> quarter 2014 MetroMax 457(b) Activity Report.

The meeting was adjourned at 10:50 a.m. The next meeting is on February 24, 2015 at 8:00 a.m.

Approved 2/24/15 by   
(Date) Richard Riebeling, Chairman