

# MINUTES

## METROPOLITAN EMPLOYEE BENEFIT SYSTEM INVESTMENT COMMITTEE

February 24, 2015 at 8:00 a.m.  
Howard Office Building, 700 2<sup>nd</sup> Avenue South, 1<sup>st</sup> Floor

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The Investment Committee met on Tuesday, February 24, 2015 at 8:00 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

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 December 9, 2014 meeting:** Ms. Bradley made a motion to approve the December 9 minutes. Mr. Curtis seconded the motion. The motion passed unanimously.
- **Review Metro pension 4<sup>th</sup> quarter 2014 performance:** Mr. Ralph reviewed Summit Strategies' economic summary and the Metro Plan's performance. The total fund returned 2.06% for the quarter, outperforming the Policy Index of 1.61%. The Plan ranked in the 56<sup>th</sup> percentile among peers for the quarter. The total fund returned 8.72% for the year, outperforming the Policy Index of 6.16%, ranking in the 8<sup>th</sup> percentile among peers.

Mr. Curtis asked Summit and Staff if the plan's performance is a result of assuming too much risk. Mr. BouSamra explained that the Plan is more diversified, resulting in better returns with the same amount of risk as peers. Also, part of the outperformance is a result of the appreciation in all assets over the last five years especially credit, the main risk factor in the Fixed Income Alternatives allocation. Staff and Summit revisited how the risk factor allocation was developed and serves as a general guidepost to compare risks relative to peers. Mr. BouSamra emphasized that risk management is an ongoing process and we are implementing various risk assessment tools with the Summit and MSCI.

- **Recommendations:** Mr. BouSamra and Mr. Ralph presented six items for consideration.

**Equity Long/Short:**

**Renaissance Technologies:** Mr. Ralph reviewed a two-page presentation regarding Renaissance Technologies long/short strategy. He explained that this was a quantitative, active long/short strategy with fees significantly below L/S hedge funds. After discussion and questions, Mr. Curtis made a motion to accept Staff's written recommendations to make a \$25 million initial commitment to Renaissance Technologies equity long/short fund. Ms Bradley seconded the motion and the Committee voted unanimously in favor.

**Alternative Fixed Income:**

**Oaktree Opportunities Fund X/Xb:** Mr. Ralph reviewed a two-page presentation regarding the Oaktree Opportunities Fund X/Xb. This fund will invest mostly in distressed debt securities that are senior in the capital structure. After discussions and questions, Mr. Curtis made a motion to accept Staff's written recommendations to commit \$15 million in the Oaktree Opportunities X Fund and \$35 in the Oaktree Opportunities Xb Fund. Ms Bradley seconded the motion and the Committee voted unanimously in favor.

**Transition Managers:** Mr. Ralph explained that due to BNYMellon exiting the transition management business, Staff and Summit are asking for approval to utilize one of three leading providers for transitional services: Northern Trust, State Street or Russell. After discussion and questions, Mr. Curtis made a motion to approve the use of Northern Trust, State Street or Russell for transition management. Ms Bradley seconded the motion and the Committee voted unanimously in favor.

**Terminate Gabelli:** Mr. BouSamra explained that the total invested in domestic equity has declined substantially due to the reduction in overall equity and implementation of the global equity portfolio. Staff sees a need to reduce the number of managers in order to maintain meaningful exposures. Staff recommends terminating Gabelli as a value manager. After discussion, Mr. Curtis made a motion to accept Staff's written recommendation to terminate Gabelli. Ms Bradley seconded the motion and the Committee voted unanimously in favor.

**Investment Policy updates:** Mr. BouSamra recommended changes to the allowable ranges in the Investment Policy. The changes consist of: setting the top range for Domestic Equity and International Equity at 30% each, decreasing the Fixed Income bottom range from 10% to 5%, and increasing the Alternative Fixed Income top range to 25%. Also, language in Section V was clarified to address how the illiquid allocations are addressed if they exceed the allowable range. Also, the fund may use Futures contracts and Exchange Traded Funds when implementing changes. Mr. Curtis made a motion to accept Staff's recommendation to change the allowable ranges and add the new revised language in the Investment Policy. Ms Bradley seconded the motion and the Committee voted unanimously in favor.


**Travel budget for FY 2016:** Mr. BouSamra asked the Committee for an additional \$10,000 for travel and other expenses related to Treasury staff and Committee members, bringing the annual total to \$37,000. The funds will be used to attend manager meetings and conferences. The increase is primarily driven by the number of managers in the portfolio. Also, Metro



Legal is asking for an additional \$2,700 increase, bringing their total to \$6,700. Mr. Curtis made a motion to accept the additional increases for Treasury Staff and Metro Legal. 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. Approximately \$76MM withdrawal will be made from the Plan before 6/30.
  3. Went over low forward asset return forecasts from GMO and others.
  4. Staff will be issuing a consultant RFP due to Summit Strategies' contract expiring (Mr. Riebeling asked Mr. Curtis to participate.) An RFP for an alternatives advisor will possibly be added. This will not change Summit's role, but will allow for additional resources in the area.
  
- **MetroMax 457(b) Activity Report:** Mr. Cox distributed and reviewed the 4<sup>th</sup> quarter 2014 MetroMax 457(b) Activity Report.

The meeting was adjourned at 9:55 a.m. The next meeting is on May 26, 2015 at 8:00 a.m.

Approved 5/26/15 by   
(Date) Richard Riebeling, Chairman