

# MINUTES

## METROPOLITAN EMPLOYEE BENEFIT SYSTEM INVESTMENT COMMITTEE

February 11, 2016 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 Thursday, February 11, 2016 at 8:00 a.m.

Those Investment Committee members present were:

Members: Talia Lomax-O'dneal, 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: Deltra Hayes, Ned Freer, John Cox and Jenny Jones

- **Establish a quorum:** Mrs. Lomax-O'dneal established that a quorum was present and the meeting was called to order.
- **Approval of minutes from the January 13, 2016 meeting:** Mr. Curtis made a motion to approve the January 13 minutes. Ms. Bradley seconded the motion. The motion passed unanimously.
- **Review Metro pension 4<sup>th</sup> quarter 2015 performance:** Mr. Ralph reviewed Summit Strategies' economic summary. He noted that the Metro Pension Plan outperformed all of their clients for 2015. Mr. BouSamra and Mr. Ralph reviewed the Metro Plan's performance. Mr. Ralph noted that the alternative fixed income portfolio dramatically aided the portfolio for the year. The total fund returned 1.94% for the quarter, trailing the Policy Index of 3.13%. The Plan ranked in the 88<sup>th</sup> percentile among peers for the quarter. The fund returned 2.59% for year, outperforming the Policy Index of 1.58% and ranking in the 4<sup>th</sup> percentile among peers.
- **Recommendations:** Mr. BouSamra and Mr. Ralph presented six items for consideration.

**Asset Allocation:** Mr. BouSamra distributed the Asset Allocation Proposal and explained that the new targets are close to the current positioning of the portfolio. Mr. Ralph noted that the recommended changes will reduce risk.

Mrs. Lomax-O'dneal asked Ms. Darby to review the current Investment Policy. Ms. Darby reviewed that the proposed Private Equity allocation increase to 12% would be a change to the Investment Policy, which is stated as a Private Equity range of 0-10%. After questions

and discussion, Mr. Curtis made a motion to accept Staff's recommendation to modify the target allocation to: 20% Domestic Equity; 13% International Equity; 7% Long/Short Equity; 12% Private Equity; 12% Real Assets; 15% Fixed Income Alternatives; 21% Fixed Income and to modify the Private Equity range in the Investment Policy to 0-12%. Ms. Bradley seconded the motion and the Committee voted unanimously in favor.

**Fixed Income Alternatives:**

**Oaktree European Principal Fund IV:** Mr. Ralph reviewed the two-page presentation regarding Oaktree European Principal Fund IV. Metro invested in Fund III. He explained that this fund will seek opportunistic strategies sources in Europe. After discussion and questions, Mr. Curtis made a motion to accept Staff's written recommendation to commit up to \$20 million in Oaktree European Principal Fund IV. Ms. Bradley seconded the motion and the Committee voted unanimously in favor.

**Anchorage Short Credit Fund:** Mr. BouSamra and Mr. Ralph reviewed the two-page presentation regarding Anchorage Short Credit Fund. The allocation was designed to offset specific credit exposure in the portfolio. After a detailed discussion and questions regarding the cost and benefit of a short credit fund, Mr. Curtis made a motion to accept Staff's written recommendation to commit up to \$50 million or target \$5 million burn rate in Anchorage Short Credit Fund. Ms. Bradley seconded the motion and the Committee voted unanimously in favor.

**Real Asset:**

**Stonelake Opportunity Fund IV:** Mr. Ralph reviewed the two-page presentation regarding Stonelake Opportunity Fund IV. This fund focuses on real estate equity and mezzanine debt in Texas. After discussion and questions, Mr. Curtis made a motion to accept Staff's written recommendation to commit up to \$27 million in Stonelake Opportunity Fund IV. Ms. Bradley seconded the motion and the Committee voted unanimously in favor.

**Private Equity:**

**Greenspring Opportunity Fund IV:** Mr. Ralph reviewed a two-page presentation regarding Greenspring Opportunity Fund IV. The fund focuses on sourcing late stage tech co-investment deals through the Greenspring platform. After discussions and questions, Mr. Curtis made a motion to accept Staff's written recommendation to commit up to \$10 million to Greenspring Opportunity Fund IV. Ms. Bradley seconded the motion and the Committee voted unanimously in favor.

**Greenspring Growth Equity Fund IV:** Mr. BouSamra distributed an investment memorandum regarding Accel Growth Fund IV. The fund was designed to take up capacity Greenspring has in Accel Growth Fund IV. After discussions and questions, Mr. Curtis made a motion to accept Staff's written recommendation to commit up to \$10 million to Greenspring Growth Equity Fund IV. 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. Staff submitted a full redemption of JPMorgan’s infrastructure fund and partial redemptions from the Prudential and JPMorgan real estate funds.
  2. Staff will submit additional withdrawals from managers during 2016 to fund pension payments and capital calls, which could result in terminating or substantially reducing strategies.
  3. Mr. BouSamra distributed the commitment models for Alternative Fixed Income, Private Equity, and Real Assets. Summit and Staff reviewed the Alternative commitment budgets and modified the commitment to the following: \$30 million per year in PE commitments for the next three years; AFI budget is \$60 million per year for the next three years; \$60 million per year for the next three years in RA.
  4. Mr. BouSamra distributed the Daily Market Update as of February 10, 2016 from Neuberger Berman and the Quarterly Investor Report as of December 31, 2015 for Cyrus Opportunities Fund II.
  
- **MetroMax 457(b) Plan Review:** Mr. Cox distributed and reviewed the 4<sup>th</sup> quarter 2015 MetroMax 457(b) Activity Report. He introduced Jenny Jones, a new VOYA representative in Nashville.

The meeting was adjourned at 9:46 a.m. The next meeting was scheduled for May 24, 2016 at 8:00 a.m.

Approved 5-24-16 by   
 (Date) Talia Lomax-O'dneal, Finance Director