

# MINUTES

## METROPOLITAN EMPLOYEE BENEFIT SYSTEM INVESTMENT COMMITTEE

May 24, 2016 at 8:00 a.m.  
Howard Office Building, 700 Second Avenue South, 1<sup>st</sup> Floor

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The Investment Committee met on Tuesday, May 24, 2016 at 8:00 a.m.

Those Investment Committee members present were:

Members: Talia Lomax-O'dneal, Dr. Stephanie Bailey, 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, Seth Crosby and Jennie Jones

Other attendees: Gray Curtis and John Murphy

- **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 February 11, 2016 meeting:** Ms. Bradley made a motion to approve the February 11 minutes. Mr. Curtis seconded the motion. The motion passed unanimously.
- **Review Metro pension 1<sup>st</sup> quarter 2016 performance:** Mr. Ralph reviewed Summit Strategies' economic summary and the Metro Plan's performance. The total fund returned 0.04% for the quarter, trailing the Policy Index of 0.76%. The Plan ranked in the 90<sup>th</sup> percentile among peers for the quarter. The underperformance was due to low equity exposure, the equity L/S portfolio, the underperformance of the traditional fixed income portfolio and the slow rebound of fixed income alternatives due to the normal delay in the pricing of the assets. The fund returned 0.68% for year, outperforming the Policy Index of 0.11% and ranking in the 7<sup>th</sup> percentile among peers. Over the trailing year the low equity exposure was a net positive.
- **Recommendations:** Mr. BouSamra and Mr. Ralph presented two items for consideration.

### Real Asset:

**Michelson Multifamily Fund:** Mr. Ralph presented the Michelson Multifamily Fund. This fund focuses on acquiring core-plus and value-added multifamily assets throughout the US. After discussion and questions, Mr. Curtis made a motion to accept Staff's written recommendation to commit up to \$50 million in Michelson Multifamily.

Staff is currently negotiating a favorable management fee arrangement of 1.25% on called capital and potentially receiving 25% of the funds carried interest as a seed partner. Ms. Bradley seconded the motion and the Committee voted unanimously in favor.

**Private Equity:**

**LGT Crown Europe Small Buyout Fund IV:** Mr. Ralph presented the LGT Crown Europe Small Buyout Fund IV. Metro invested \$20 million in the predecessor fund. The fund has a fee structure of 1% for the first 5 years and declines thereafter with 5% to 10% carried interest depending on type of investment and a preferred return of 8%. After discussions and questions, Mr. Curtis made a motion to accept Staff's written recommendation to commit up to \$10 million to LGT CESB Fund IV. Ms. Bradley seconded the motion and the Committee voted unanimously in favor. Mr. BouSamra commented that he may come back to the Committee for additional \$10 million allocation depending on capacity early in 2017.

- **General Updates:** Mr. BouSamra handed out a general update list and highlighted the following items:
  1. Mr. BouSamra reviewed a benchmark presentation. He discussed that benchmarks have changed with the new asset allocation in March, with changes in the future from LIBOR + 4% to Bank of America High Yield, and from Russell 3000 to Russell 2000.
  2. Gray Curtis, Tom Curtis' son will be joining the Treasurer's staff for the summer months for an unpaid intern. I'm excited to have a math MIT student to help with the implementation of the MSCI BarraOne risk analytics and other projects.
  3. Staff will be working on proposing/clarifying practices regarding global class action monitoring.
  4. Staff and Summit will review environmental social governance and potential future policies.
  5. Staff will be working on better real time cash flow monitoring to monitor custodian data.
  6. The MetroMax plan administrator contract with VOYA is ending soon and a new RFP will be issued.
  7. The Equity Long Short provider contracts are ending soon and a new RFP will be issued.
  
- **Firm Update from Summit Strategies:** Mr. Ralph updated the Committee on Summit Strategies various lines of business as requested. He reported on new employee shareholders, improvements to human resource processes and integration between research teams. He thoroughly explained Summit's two lines of business. Ninety percent of business revenue is non-discretionary consulting, which Metro uses. The remaining ten percent is Summit Solutions discretionary business, which has recently changed due to a new client. Summit is now adding a growth hedge fund of funds, a private equity fund of funds and a co-investment fund to the existing offerings. Summit plans to invest more in the discretionary business to grow. Ms. Bradley and Mr. Curtis asked some questions regarding the fees and the commingled fund structure. Mr. Curtis asked how allocations are going to be handled when Metro is seeking access to the same funds and in effect competing against Summit's

discretionary clients. Mr. Ralph acknowledged that there is always potential for conflict. Summit instituted a policy where Metro would be protected up to their previous commitment with a manager and anything above that will be divided out equally relative to indicated interest. Ms. Lomax-O'dneal commented that she did not see how Summit can remove the appearance of a conflict and asked what safeguards are in place to insure Metro's interests are protected. Mr. Ralph responded that Summit intends to be completely transparent and is happy to work with Metro to answer any question. After questions and discussion, Ms. Lomax-O'dneal asked the committee to think through the issues, forward any question they have of Summit to Staff.

- **MetroMax 457(b) Plan Review:** Mr. Ralph noted that AllianzGI NFJ Dividend Value Fund and Principal Diversified Real Asset Fund have performed below expectations, but does not recommend any action. Mr. Cox distributed and reviewed the 1<sup>st</sup> quarter 2016 MetroMax 457(b) Activity Report.

The meeting was adjourned at 9:51 a.m. The next meeting was scheduled for August 25, 2016 at 8:00 a.m. (A meeting was subsequently scheduled on June 16, 2016 at 11:30 a.m.)

Approved 8-25-16 by Talia Lomax-O'dneal  
(Date) Talia Lomax-O'dneal, Finance Director