

# MINUTES

## METROPOLITAN EMPLOYEE BENEFIT SYSTEM INVESTMENT COMMITTEE

August 25, 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 Thursday, August 25, 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: 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 May 24 and June 16, 2016 meetings:** Mr. BouSamra noted a change in the May 24 minutes under the Firm Upstate from Summit Strategies and a change in the June 16 minutes under General Consultant Recommendation. Mr. Curtis made a motion to approve the May 24 and June 16 minutes as amended. Ms. Bradley seconded the motion. The motion passed unanimously.
- **Review Metro pension 2<sup>nd</sup> quarter 2016 performance:** Mr. Ralph reviewed Summit Strategies' economic summary and the Metro Plan's performance. The total fund returned 1.91% for the quarter, trailing the Policy Index of 2.59%. The Plan ranked in the 43<sup>rd</sup> percentile among peers for the quarter.
- **Recommendations:** Mr. BouSamra and Mr. Ralph presented five items for consideration.

### **Fixed Income Alternatives:**

**PIMCO Corporate Opportunities Fund II:** Mr. Ralph presented the PIMCO Corporate Opportunities Fund II. This corporate distressed fund targets credits that will need to be restructured. After discussion and questions, Mr. Curtis made a motion to accept Staff's written recommendation to commit up to \$40 million in PIMCO Corporate Opportunities Fund II. Ms. Bradley seconded the motion and the Committee voted unanimously in favor.

**Private Equity:**

**Secondary Opportunity in Greenspring funds:** Mr. BouSamra explained that Metro has invested in Greenspring Global Partners V, VI, and VII as well as other secondary funds. After discussions and questions, Mr. Curtis made a motion to accept Staff's written recommendation to allow staff to bid on Greenspring Global Partners II, III and IV funds available in the secondary market. Ms. Bradley seconded the motion and the Committee voted unanimously in favor.

**Secondary Sales of Private Investments:** Mr. Ralph explained that the Plan has the ability to sell private investments opportunistically on the secondaries market. Mr. BouSamra proposed the Committee allow staff to sell opportunistically. The Committee expressed concern of the open-endedness of the recommendation. Mr. BouSamra explained that he was looking for guidance from the Committee on how to proceed in a way that the Committee is comfortable with. After a detailed discussions and questions regarding the secondary sale process, the Committee asked staff to bring bids to the Committee for approval at the regularly scheduled meetings or hold special called meetings for that purpose.

**Security Class Action Litigation:** Mr. BouSamra explained that, over the last few years, the plan has seen a significant increase in offshore securities litigation. The international securities litigation often requires a cost benefit analysis as well as selecting between competing claims. Staff recommends adding language to the Investment Policy to get independent legal advice that's not tied to the amount of the settlement. Ms. Bradley made a motion to accept Staff's written recommendation to add the following language to the Investment Policy: *"The Investment Committee may retain counsel on a flat retainer for advice on international securities litigation and other issues as needed."* Mr. Curtis seconded the motion and the Committee voted unanimously in favor. Mr. BouSamra explained that the intention will be to issue an RFP.

**Environmental and Social Governance:** Mr. BouSamra explained the option of Metro being a signatory to the United Nations Environmental and Social Governance protocol based on prior meeting discussions. Mr. Ralph noted that Summit Strategies was a United Nations Principles for Responsible Investment signatory with designated staff to handle the heavy reporting. He explained that by being a signatory, a Plan sponsor, Metro would have a significant burden to report, document and evaluate all of the managers. Mr. BouSamra explained that there was no benefit to becoming a signatory however; Metro can be an active ESG investor and support ESG investing without becoming a signatory by requiring its money managers to have an ESG policy and include ESG in the manager selection process and MEBS is done currently. There would be a \$2500 fee to be a signatory based on Metro's assets. After discussions and questions, the Committee expressed satisfaction with the current process and took no action on the topic.

- **General Updates:** Mr. BouSamra handed out a general update list and highlighted the following items:
  1. An RFP for the MetroMax Plan Administrator will be issued.
  2. RFPs for General Consultant and Alternative asset advisor will be issued.

3. An RFP for Equity Long Short providers will be issued.
  4. Mr. BouSamra distributed and reviewed the BarraOne Total Plan Summary.
  5. Staff had an open records request from the Tennessean regarding gross/net performance, fee schedules and actual manager fees for FY15 and FY16.
- **MetroMax 457(b) Plan Review:** Mr. Cox distributed and reviewed the 2<sup>nd</sup> quarter 2016 MetroMax 457(b) Activity Report.

The meeting was adjourned at 10:09 a.m. The next meeting was scheduled for November 10, 2016 at 8:00 a.m.

Approved 11-10-16 by Talia Lomax-O'dneal  
(Date) Talia Lomax-O'dneal, Finance Director