

MINUTES

METROPOLITAN EMPLOYEE BENEFIT SYSTEM INVESTMENT COMMITTEE

November 10, 2016 at 8:00 a.m.
Howard Office Building, 700 Second Avenue South, 1st Floor

The Investment Committee met on Thursday, November 10, 2016 at 8:00 a.m.

Those Investment Committee members present were:

Members: Dr. Stephanie Bailey, Talia Lomax-O'dneal, and G. Thomas Curtis

Other attendees:

Summit Strategies Group: Eric Ralph

Finance Department: Kim McDoniel, Deputy Finance Director; Tom Eddlemon, Treasurer; Fadi BouSamra, CIO, and Katherine Banani

Metro Legal: Margaret Darby, Metro Assistant Attorney

Voya Representatives: John Cox and Deltra Hayes

Other attendees: Erick Huth and Stuart Nicholson

- **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 August 25, 2016 meeting:** Mr. Curtis made a motion to approve the August 25, 2016 minutes. Dr. Bailey seconded the motion. The motion passed unanimously.
- **Review Metro pension 3rd quarter 2016 performance:** Mr. Ralph reviewed Summit Strategies' economic summary and the Metro Plan's performance. The total fund returned 3.3% for the quarter, trailing the Policy Index by about 1%. The shortfall was primarily due to the performance of the High Yield index as the benchmark for the Fixed Income Alternatives composite – the switch to the index coincided with a significant appreciation.
- **Recommendations:** Mr. BouSamra and Mr. Ralph presented three items for consideration.

Fixed Income Alternatives:

Accel-KKR Credit Partners, LP: Mr. Ralph presented the Accel- KKR Credit Partners, LP. The MEBS invested in the firm's buyout fund and two growth equity strategies in the past. After discussion, concerns and questions were addressed; Mr. Curtis made a motion to accept Staff's written recommendation to commit up to \$20 million in Accel-KKR Credit Partners, LP. Mrs. Lomax-O'dneal seconded the motion, and majority of the committee voted in favor and Dr. Bailey opposed.


Real Assets:

PIMCO BRAVO III: Mr. BouSamra explained that MEBS has invested in Pimco I & II previously. Mr. Ralph explained that the Pimco Bravo fund will make commercial and residential loans that seek to take advantage of the increased capital requirements on banks. After discussions and questions, Dr. Bailey made a motion to accept Staff's written recommendation to commit up to \$30 million in Pimco Bravo III. Mr. Curtis seconded the motion and the Committee voted unanimously in favor.

Principal Real Estate Debt Fund II: Mr. Ralph explained this is a re-up of previous investment in Principal Real Estate Debt Fund. The MEBS invested in the predecessor fund. The Principal Real Estate debt fund will invest in private commercial real estate debt. After discussion and questions Mr. Curtis made a motion to accept staff's written recommendation to commit up to \$20 million in the Principal Real Estate Debt Fund II. Dr. Bailey 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. The RFP for a MetroMax Plan Administrator is in the evaluation process.
 2. RFPs for Consultant and Alternative asset advisor were issued and responses are due November 18.
 3. The RFP for Equity Long Short providers has not been issued.
 4. Staff had an open records request from the Tennessean.
 5. Staff reduced the tactical allocation to high yield back to the original 10% max in the PIMCO Credit fund.
 6. We were the second highest bidder on the Greenspring funds and chose not to increase our bid.
 7. MCSI BarraOne risk tools continue to show that our risk is consistent with long term objectives. The 3rd quarter report will be available in approximately 2 weeks.
 8. We have not issued the RFP to retain counsel for international securities litigation.
- **Review letter to the IC:** Request received from Mr. Riebeling to consider an investment of up to \$10 million in a local area ETF. Discussion of the request centered on the holdings and whether the investment was appropriate for the plan. Options of how to respond to the request were presented by Ms. Darby. Dr. Bailey made a motion to deny the request and that Ms. Darby respond to Mr. Riebeling. Mr. Curtis seconded the motion, and the motion carried. Ms. Talia Lomax-O'dneal abstained from voting.
- **MetroMax 457(b) Plan Review:** Mr. Cox distributed and reviewed the 3rd quarter 2016 MetroMax 457(b) Activity Report.

The meeting was adjourned at 10:02 a.m. The next meeting will be scheduled at a later date.

Approved 5/23/17 by 
(Date) G. Thomas Curtis, Acting Chair