

# MINUTES

## METROPOLITAN EMPLOYEE BENEFIT SYSTEM INVESTMENT COMMITTEE

January 30<sup>th</sup>, 2018 at 8:00 a.m.  
Howard Office Building, 700 Second Avenue South, 2<sup>nd</sup> Floor, OMB Conference Room

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The Investment Committee met on Tuesday, January 30, 2018 at 8:00 a.m.

Those Investment Committee members present were:

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

Other attendees:

NEPC: Keith Stronkowsky

Staff: Katelyn Arnold, Finance Officer, Fadi BouSamra, CIO, Phil Carr, Chief Accountant, and Kim McDoniel, Deputy Finance Director

Metro Legal: Jason Bobo, Metro Assistant Attorney

Summit Strategies: Neil Silverman

Voya Representative: John Cox

- **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 December 5th, 2017 meeting:** Dr. Bailey made a motion to approve the minutes. Mr. Curtis seconded the motion. The motion passed unanimously.
- **Liquidity Study:** Mr. Stronkowsky explained the liquidity study is based on a base-case scenario and stressed-case scenario over a 5-year time period.

The stressed-case was based on the following assumptions:

- Returns 0.0% in year 1, -20.5% in year 2 (-2 standard deviation), -6.8 in year 3 (-1 standard deviation), 7% in year 4 and -6.8% in year 5 (-1 standard deviation)
- Benefit payments and expenses 10% higher per year
- Contributions 10% lower
- No change to commitments
- Capital Calls and Distributions: Capital calls are doubled in year 2 and 3 while distributions are halved in Year 2 and 3.

The report concluded that even under the aggressive stress test the plan should be able to meet its liquidity needs even without utilizing any of the options available to increase liquidity during a crisis.

- **Strategic Asset Allocation Recommendation:** Mr. Stronkowsky reviewed the 2018 Investment Outlook and Asset Allocation Recommendation. He discussed current key market themes including: Extended US Economic Cycle, Synchronized Economic Resurgence, Federal Reserve Gradualism, China Transitions, and Globalization Backlash.

The recommended Asset Allocation is labeled as “Mix A” below. Mix A changes reflect a 3% reduction in Domestic Equity, and a 3% increase in International Equity.

	Current Target	Recommended “Mix A”
<b>Cash</b>	<b>0%</b>	<b>0%</b>
Domestic Equity	20%	17%
International Equity	13%	16%
Equity Hedge	7%	7%
Private Equity	12%	12%
<b>Total Equity</b>	<b>52%</b>	<b>52%</b>
Fixed Income	21%	21%
Fixed Income Alternatives	15%	15%
<b>Total Fixed Income</b>	<b>36%</b>	<b>36%</b>
Real Assets	12%	12%
<b>Total Real Assets</b>	<b>12%</b>	<b>12%</b>

Mr. Curtis made a motion to accept the recommendation of “Mix A.” Dr. Bailey seconded the motion; the motion passed unanimously.

- **MIP Balances:** Mr. BouSamra explained the recommendation to revise procedures regarding MIP account funding frequency. Mr. BouSamra and staff made a recommendation to amend the procedures regarding funding the MIP account from funding on a quarterly basis to an as needed basis. Dr. Bailey made a motion to accept the recommendation. Mr. Curtis seconded the motion; the motion passed unanimously.
- **Annual Financial Report Review:** Mr. Carr explained there are portions of the Comprehensive Annual Financial Report that are pertinent to the Investment Committee; including returns and expenses for the pension plan. Mr. Carr explained the full CAFR is available on Nashville.gov for public view.

The meeting adjourned at 9:35 a.m. The next meeting is scheduled for February 27, 2018.

- **MetroMax 457 Plan Review:** Mr. Silverman & Mr. Cox reviewed 4<sup>th</sup> Quarter 2017 457 reporting for staff only due to time constraints.

Approved 2/27/2018 by Talia Lomax-O'dneal  
 (Date) Talia Lomax-O'dneal, Chair