

MINUTES

METROPOLITAN EMPLOYEE BENEFIT SYSTEM INVESTMENT COMMITTEE

August 23, 2018 at 9:30 a.m.
Investment Committee Meeting

Howard Office Building- OMB Conference Room
700 2nd Ave. South, 2nd Floor

The Investment Committee met on Thursday August 23rd, 2018 at 8:00 a.m.

Those Investment Committee members present were:

Members: Stephanie Bailey, Christine Bradley, George Tom Curtis, and Talia Lomax-O'dneal

Other attendees:

NEPC: Keith Stronkowsky & Andrew Brett

Summit: Neil Silverman

Voya: John Cox & Deltra Hayes

Staff: Katelyn Arnold, Finance Officer, Fadi BouSamra, CIO, and Tom Eddlemon, Treasurer

Others Attending: Margaret Darby, Metro Assistant Attorney

- **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 7th, 2018 meeting:** Ms. Bradley made a motion to approve the amended minutes. Ms. Bailey seconded the motion. The motion passed unanimously.
- **MetroMax 457 Plan Review:** Mr. Silverman explained Mercer's announcement to acquire Summit Strategies. All of Summit's clients will transition to Mercer except for public defined benefit plans will go to Pavilion since Mercer is not in the public DB space. He explained that Mercer is a large investment consultancy with robust resources, so they believe the two will be a good fit with broader research and guidance capabilities. Mr. Silverman reviewed the MetroMax 457 Defined Contribution Quarterly Report as of June 30, 2018. In addition, Mr. Cox discussed the MetroMax 2nd Quarter 2018 Activity Report.
- **2nd Quarter 2018 Pension Performance:** Mr. Stronkowsky reviewed the Metro Plan's performance. The total fund returned 1.47% for the quarter; underperforming the policy index by -0.09%. The total fund returned 9.44% for the fiscal year; outperforming the policy index by 1.94%. Mr. Stronkowsky explained Metro ranks top 20th percentile across the board relative to public fund peers year to date.
- **Review Transition Timeline:** Mr. BouSamra explained the timeline was created as a way to get organized on tasks necessary during the NEPC transition. Mr. Stronkowsky explained

monitoring & reporting are ongoing, and he further discussed completed tasks such as asset allocation, risk measurement, and transparency.

- **Recommendations:** Mr. Brett with NEPC presented 3 items for consideration.

Real Assets Recommendations:

\$20 million Ares Energy Opportunity Fund – Mr. Brett explained the fund will target a broad range of energy investments. Ms. Bailey made a motion to accept staff's written recommendation to commit \$20 million in Ares Energy Opportunity Fund. Ms. Bradley seconded the motion and the Committee voted unanimously in favor.

\$15 million Riverstone Credit Partners II – Mr. Brett discussed this fund will target lending and credit in the energy space. He explained this fund fills a gap by providing short term debt with a high coupon in a space where banks cannot. Ms. Bradley made a motion to accept staff's written recommendation to commit \$15 million in Riverstone Credit Partners II. Ms. Bailey seconded the motion and the Committee voted unanimously in favor.

\$5 million RCP II NEPC Syndicated Partners, L.P. – Mr. Brett explained this co-investment fund will invest alongside Riverstone Credit Partners II with no management fee or carried interest for NEPC clients. \$1 for every \$3 invested in RCP II is eligible to be committed to this co-investment fund. Mr. Curtis made a motion to accept staff's written recommendation to commit \$5 million in RCP II NEPC Syndicated Partners, L.P. Ms. Bailey seconded the motion and the Committee voted unanimously in favor.

- **Resolution Response:** Mr. BouSamra explained RS 2018-1309 and handed out a proposed response to the Benefit Board Chair. Ms. Darby read the following passage regarding fiduciary responsibility: “[F]iduciaries must always put first the economic interests of the plan in providing retirement benefits. A fiduciary’s evaluation of the economics of an investment should be focused on financial factors that have a material effect on the return and risk of an investment based on appropriate investment horizons consistent with the plan’s articulated funding and investment objectives.” A discussion among Committee members ensued. The response was unanimously adopted as originally proposed.
- **Investment Policy:** Mr. BouSamra and Mr. Stronkowsky went over potential changes to the Investment Policy. Mr. BouSamra asked that the Committee consider the changes at the next meeting.
- **General Updates:**
 - Cash in Metro MIP as of 6/29/2018: \$1,190,138
 - AKKR Growth Capital III granted metro \$24 million of the \$25 million approved by the Committee.
 - We are loading some historical information on the new Share Point IC Data Room launched in July.
 - We are in the process of implementing Share Point for staff document management

- The meeting adjourned at 11:18 a.m. The next meeting is scheduled for November 15th, 2018.

Approved 11-15-18 by Talia Lomax-O'dneal
(Date) Talia Lomax-O'dneal, Chair