

MINUTES

METROPOLITAN EMPLOYEE BENEFIT SYSTEM INVESTMENT COMMITTEE

August 27, 2020 at 9:30 a.m.
Investment Committee Meeting

WebEx/Virtual

The Investment Committee met on Thursday, May 27th, 2020 at 9:30 a.m.

Those Investment Committee members present were:

Christine Bradley, Kevin Crumbo, and G. Thomas Curtis

Other attendees:

NEPC: Dan Beaton & Keith Stronkowsky

Voya: John Cox

Staff: Fadi BouSamra, CIO, Tom Eddlemon, Treasurer, & Katelyn Richie, Finance Officer

Others Attending: Margaret Darby, Metro Legal & Josh Thomas, Metro Legal

- **Establish a quorum:** Mr. Crumbo established that a quorum was present, and the meeting was called to order.
- **Approval of minutes from the May 27, 2020 meeting:** Mr. Crumbo conducted a roll-call vote for approval of the minutes from May 27, 2020. The vote to approve the minutes as written passed unanimously.
- **2nd Quarter 2020 Pension Performance:** Mr. Stronkowsky reviewed the Metro Plan's performance. He discussed the total fund returned 4.25% for the quarter; underperforming the policy index by 7.8%. The total fund returned 4.5% for trailing 1-year; outperforming the policy index by 2.4%.

Mr. Stronkowsky & Mr. BouSamra explained the plan ranks 1st in risk adjusted returns compared to over 350 other public plans. Mr. Stronkowsky explained this means we are getting more return for less risk compared to the other public plans within the investor force universe.

- **Recommendations & Updates:** Mr. BouSamra and Mr. Stronkowsky reviewed the following recommendations and General Updates:

General Updates:

- Cash in Metro MIP as of 6/30/2020 \$186,924.72
- We took three steps toward moving the Managed Vol portfolio back toward the normal mandate, but we are not quite there yet. Currently the portfolio is limited to a max of 100% exposure and targeting max volatility of 24.

- Risk reports will be posted soon after this meeting.
- As you know the plan held up well during the March correction. Real assets and lending to energy and infrastructure were hit hard by the low crude oil prices but manageable given our relatively low allocation.
- **Motion to approve Electronic Meeting:** Mr. Crumbo proposed a motion on finding that due to the COVID-19 pandemic it is necessary to hold this meeting by electronic means to protect the health and safety of members of the committee, consultants, staff, and members of the public. Mr. Crumbo conducted a roll-call vote to accept the motion. The motion passed unanimously.

- **Recommendations:**

Asset Allocation:

- Mr. BouSamra and Mr. Stronkowsky explained, they are proposing the elimination of Equity Long short and increasing the Domestic Equity allocation to reflect the risk in the portfolio given the above target exposure to Private Equity. Mr. BouSamra explained the reason for increasing Domestic Equity is to have the overall risk in the portfolio reflected in the benchmark. Fixed Income Alternatives is increased as well. Proposed changes are highlighted below.

Asset Class	Current Allocation	Proposed Allocation
Domestic Equity	17%	25%
International Equity	16%	13%
Equity Hedge	7%	0%
Private Equity	12%	12%
Fixed Income	21%	20%
Fixed Income Alternatives	15%	18%
Real Assets	12%	12%
Total	100%	100%

Motion to accept the Asset Allocation Proposal: Ms. Bradley made a motion to approve the proposed changes to the Asset Allocation Proposal as written. Mr. Curtis seconded the motion. Mr. Crumbo conducted a roll-call vote to accept the motion. The motion passed unanimously.

- **Alternative Fixed Income:**

Arcmont – Nashville SMA European Lending Strategy- Mr. BouSamra explained the recommendation is to modify the name from Bluebay to Arcmont and to modify the mandate to allow for up-to 15% in capital solutions.

The fund has had a good start and the timing for lending is ideal given the opportunities and reduced capital availability from banks. The Capital Solutions strategy will enhance returns and that part of the allocation will not use leverage.

Mr. Curtis made a motion to accept the recommendation as written, Ms. Bradley seconded the motion. Mr. Crumbo conducted a roll-call vote to accept the motion. The motion passed unanimously.

- **2nd Quarter 2020 MetroMax review:** Mr. Beaton reviewed the executive summary which highlights fund performance including the range of core fund returns from 0.7% to 25% for the quarter. He also explained NEPC is not recommending any action as it relates to the plan's managers at this time due to performance or other concerns.
- **Meeting continued as information only:** Mr. Crumbo had to exit the meeting early due to prior engagements, so there was no longer a quorum. From this point forward, the meeting continued as information only with no actions taken.
- **2nd Quarter 2020 MetroMax Activity Review:** Mr. Cox reviewed the MetroMax 2nd Quarter 2020 Activity Report. He explained as of 6/30/2020 the plan reached an all-time high of 7,660 participants and payroll contributions increased 7% from 06/30/2019. Mr. Cox explained all new employee orientations would be online, and they have created a motion graphics video to explain how the plan works and how to get signed up for the plan.

Approved _____ by _____ Minutes Approved by Investment Committee during virtual meeting held on 11-23-2020
(Date)