M I N U T E S

**METROPOLITAN EMPLOYEE BENEFIT SYSTEM**

**INVESTMENT COMMITTEE**

May 20th, 2021 @ 9:30 a.m.

Investment Committee Meeting Howard Office Building- Sonny West Room

The Investment Committee met on Thursday, May 20th, 2021 @ 9:30 a.m.

Those Investment Committee members present were:

Stephanie Bailey, Christine Bradley, and G. Thomas Curtis

Other attendees:

NEPC: Dan Beaton & Keith Stronkowsky

Voya: John Cox & Deltra Hayes

Staff: Michell Bosch, Treasurer, Fadi BouSamra, CIO, & Katelyn Richie, Finance Officer

Others Attending: Josh Thomas, Metro Legal

* **Temporary Chair:** Ms. Bradley made a motion to select Mr. Curtis as the temporary chair for the meeting in Mr. Crumbo’s absence. Ms. Bailey seconded the motion. The motion passed unanimously.
* **Establish a quorum:** Mr. Curtis established that a quorum was present, and the meeting was called to order.
* **Approval of minutes from the February 25th & April 13th meetings:** Ms. Bradley made a motion to accept the February 25th minutes as written. Ms. Bailey seconded the motion. The motion passed unanimously. Ms. Bradley made a motion to accept the April 13th minutes as written. Ms. Bailey seconded the motion. The motion passed unanimously.
* **Recommendations & Updates:** Mr. BouSamra and Mr. Stronkowsky reviewed the following recommendations and General Updates:
* **General Updates:**
* Cash in Metro MIP as of 3/31/2021 $337,897
* The S&P500 Managed Vol. portfolio is back to the original mandate targeting 17% volatility.
* We finished the Master Custody services search and now in the hands of Procurement to award.
* 457 MetroMax administrator contract is up for renewal.
* Trailing year private investments summary:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Committed** | **Paid in Capital** | **Capital to be funded** | **Cumulative Distributions** | **Current Valuation** | **Total Value** | **Net Benefit** |
| **All**  | **2019** | 3529.16 | 2498.73 | 1030.42 | 1687.39 | 1836.55 | 3523.95 | 1016.38 |
| **Private** | **2020** | 3758.14 | 2815.46 | 942.68 | 2008.9 | 2319.92 | 4328.45 | 1504.43 |
|  | **Net** | **228.98** | **316.7** | **-87.74** | **324.51** | **483.33** | **804.5** | **488.05** |
|  |  |  |  |  |  |  |  |  |
| **FIA** | **2019** | 1636.16 | 1145.11 | 491.06 | 768.42 | 687.72 | 1456.14 | 307.70 |
|  | **2020** | 1766.46 | 1358.57 | 407.89 | 925.06 | 817.17 | 1792.22 | 380.37 |
|  | **Net** | **130.30** | **213.46** | **-83.17** | **156.64** | **129.45** | **286.08** | **72.67** |
|  |  |  |  |  |  |  |  |  |
| **PE** | **2019** | 1021.59 | 753.45 | 268.14 | 488.51 | 773.76 | 1262.29 | 508.96 |
|  | **2020** | 1103.94 | 820.25 | 283.69 | 610.10 | 1018.94 | 1629.04 | 808.91 |
|  | **Net** | **82.35** | **66.8** | **15.55** | **121.59** | **245.18** | **366.75** | **299.95** |
|  |  |  |  |  |  |  |  |  |
| **RA** | **2019** | 871.40 | 600.18 | 271.23 | 430.46 | 375.06 | 805.52 | 199.72 |
|  | **2020** | 887.74 | 636.64 | 251.10 | 473.74 | 483.81 | 957.55 | 315.17 |
|  | **Net** | **16.34** | **36.46** | **-20.13** | **43.28** | **108.75** | **152.03** | **115.45** |

* Robust distributions from our Private portfolio have been used to fund pension payments and increase the Fixed Income holdings.
* Savanna fund III focused on New York real estate reached out regarding needing more liquidity. The fund is seeking to subordinate LPs’ and raise $45 million in equity. We are negotiating the terms. The expectation right now is that we will get 96% of our investment back from the fund. We are in the process of negotiating the terms with the manager.
* We are seeing considerable improvement in Fixed Income Alternative pricing and energy investments in the current year.
* Over the next 3 to 12 months, we will reduce our overexposure to domestic equity in favor of Alternative Fixed Income.
* We increased the commitment to the PIMCO TacOps fund by $20 million during the quarter. The Committee previously approved up to $100 million. We are now committed for $60 million.
* China is focused on developing four areas of their domestic economy.

**Recommendations:**

**Private Equity:**

* **Axiom Asia Co-Investment Fund II, L.P.:**

Mr. BouSamra explained this fund is set up to invest in Co-investment overflow from Axiom Asia VI. He also mentioned the Metro Pension invested $10 million in the predecessor fund.

* + **Axiom Asia Opportunity Fund:**

Mr. BouSamra explained this fund is set up to invest in direct secondary opportunities. The fund was launched due to the firm seeing increased secondary opportunities.

Ms. Bradley asked about personnel changes within the Axiom firm and Mr. BouSamra explained there have been a lot of new hires on the mid-level because it is a growing firm, but many of the main associates are the same.

**Recommendation** – Invest a total of $20 million total between the two Axiom Asia funds, Co-Investment Fund II, L.P., and Axiom Asia Opportunity Fund.

**Motion –** Ms. Bailey made a motion to approve the recommendation as written; Ms. Bradley seconded the motion. The motion passed unanimously.

* + **Centerbridge Partners Real Estate Fund II, L.P.:** Mr. Stronkowsky explained this fund has a wide mandate to invest in loans and securities as well as direct assets. The firm has a deep bench and experience in structuring many types of deals with varying degrees of complexity. He explained this is a first-time investment for the Metro Pension Plan with Centerbridge Real Estate and the plan is invested in two Centerbridge Capital Partner funds on the PE/Opportunistic platform.

**Recommendation** – Approve up to $30 million to invest in Centerbridge Partners Real Estate fund II, L.P.

**Motion** – Ms. Bradley made a motion to accept the recommendation as written. Ms. Bailey seconded the motion. The motion passed unanimously.

* **457 MetroMax Target Date Manager Search:**
	+ **Vanguard Target Retirement Funds:** Mr. Beaton explained the Vanguard funds provide a low fee glide path with a straightforward approach, NEPC has the funds on their target list and highlighted their defensive approach. He also explained Vanguard is known as a low-cost quality provider and execute the strategy at cost that is 9bps vs the current provider charging 14bps. This recommendation, if approved, will go to the Benefit Board for consideration. Mr. Curtis asked about the other options presented for the target date manager search and Mr. Beaton discussed NEPC’s process and considerations of the other options.

**Recommendation –** Recommend to the Benefit Board the use of Vanguard Target Retirement funds in place of the current provider.

**Motion** – Ms. Bailey made a motion to approve the recommendation as written. Ms. Bradley seconded the motion. The motion passed unanimously.

* **1st Quarter 2021 Pension Performance:** Mr. Stronkowsky discussed key market highlights including positive momentum for equity markets due to vaccinations and relaxing COVID restrictions. Metro’s assets totaled over $4 Billion, an increase of approximately $152 Million during the 1st quarter.

Mr. Stronkowsky reviewed the Metro Plan’s performance. He discussed the total fund returned 5.21% for the quarter, outperforming the policy index by 1.99%. The total fund returned 27.24% for trailing 1-year, underperforming the policy index by 7.08%.

Mr. Stronkowsky & Mr. BouSamra explained that for the March 31st, 2021 quarter, the plan ranks 2ndin returns compared to other public plans. Mr. Stronkowsky went over the plan’s Sharpe Ratio (as of March 31, 2021, the Plan ranks 1st for the trailing 3 and 5 year periods) and explained that the plan is getting more return for less risk compared to other public plans within the Investor Force universe.

* **1st Quarter 2021 MetroMax review:** Mr. Beaton reviewed the executive summary which highlights fund performance including the range of core fund returns from -3.1% to 15.9% for the quarter. Mr. Beaton went on to discuss moving from Wells Fargo Target Date Fund to the Vanguard Target Date Fund.
* **1st Quarter 2021 MetroMax Activity Review:** Mr. Cox reviewed the MetroMax 1st Quarter 2021 Activity Report – As of 03/31/2021 the plan reached an all-time high of 7715 participants and payroll contributions remained nearly the same from last year at over $14 Million. Mr. Cox also explained the plans assets were at an all time high at over $400 million.

Approved by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(Date)