M I N U T E S

**METROPOLITAN EMPLOYEE BENEFIT SYSTEM**

**INVESTMENT COMMITTEE**

July 12th, 2021 @ 3:00 p.m.

Investment Committee Meeting Howard Office Building- OMB Conference Room

The Investment Committee met on Monday, July 12th, 2021 @ 3:00 p.m.

Those Investment Committee members present were:

Stephanie Bailey, Christine Bradley, Kevin Crumbo, and G. Thomas Curtis

Other attendees:

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

Others Attending: Margaret Darby & Josh Thomas, Metro Legal

* **Establish a quorum:** Mr. Crumbo established that a quorum was present, and the meeting was called to order.
* **Investment Services Discussion:** Mrs. Bosch explained Metro is looking to get approval for a RFQ (Request for Quote) on an inquiry for investment management services. She explained it has been about 20 years since we have examined the way the pension is managed and how the Committee would like to see the plan managed in the future. Mrs. Bosch also discussed the fees for the pension plan to show how much it costs to manage the plan along with HR and administrative costs.

Mr. Curtis asked if we are looking into how we structure everything and what are we trying to accomplish. Ms. Bosch said years ago, we brought in Fadi as the CIO to manage the plan, this review will look at the amount of assets under management and our current processes. The plan has doubled in size and we still only have our CIO managing the plan.

Ms. Bailey asked if there have been any inquiries from Metro Council regarding the way the pension plan is managed currently. Mr. BouSamra said we review the fees constantly, and we have had various inquiries from council over the years regarding fees. He explained looking at management fees from Metro’s Accounting department, they include a lot of administrative fees and carried interest because certain funds have done well this year, so the number is quite inflated.

Mr. Crumbo explained all areas of Metro have been under review for the sake of transparency and the pension plan has not gotten much attention from Council recently, but this is a proactive measure to ensure we are reviewing the plans management on an ongoing basis. He explained the financial position of the city has improved and other areas and the pension plans management, will be gaining more focus.

Ms. Bradley inquired if the RFQ will look at what similar size and similar performing cities are doing regarding pension management. Mr. Crumbo explained he thinks we will likely want to look at what other cities are doing. Mrs. Bosch explained that this is exactly the sort of information we can request when the RFQ is put out for bid.

Ms. Bradley expressed concerns over making changes to our processes when things are going well and how she could see a change is necessary when things are not going so well. Mrs. Bosch explained it seems counterintuitive, but we are looking at being more proactive instead of reactive; making changes while the plan is doing well and is well funded, allows us to be more flexible and we can afford to take more risk. She explained when you are limited in options, it is harder to make a change.

Mr. Curtis asked what the scope of this inquiry is, and Mrs. Bosch explained she wants the experts to explain the array of options available to us and we can go from there to move forward. She mentioned she has not set a scope or limit, but from her point of view we would like to have the portfolio externally managed within one relationship so they can oversee the entire portfolio.

Ms. Bailey asked Ms. Bosch what the downside would be to making this change from the way business is conducted currently, to what we are hoping to accomplish. She also asked Mr. BouSamra what the burden is to him being the sole person. Mr. BouSamra expressed while he appreciates the credit of being the sole person over the plan, that is not the case. He explained we have over 170 line items managed by about 40 firms, not to mention the consultants and their teams of associates who all play a pivotal role in selecting and overseeing managers.

Ms. Bailey asked if we are looking to enhance our management of the plan and will there be a negative effect on current processes. Ms. Bosch explained she cannot guarantee what negative effects may happen or unintended consequences, but she explained the idea is for added improvement. Ms. Bosch explained she is looking to lower investment fees, add compliance and risk oversight measures, and better reporting.

Mr. Curtis asked if we are looking at an outsourced CIO model, and Ms. Bosch said no. Mr. Curtis asked Mr. Stronkowsky if NEPC does an outsourced CIO model, and he stated they do, but it is not common in the public space. Mr. Stronkowsky said you see OCIO models more so in corporations who do not have time or energy to manage their plan. He said there are more than 50 people working on research and due diligence at NEPC, so it is not only himself and Mr. BouSamra doing the leg work. Mr. Stronkowsky explained to the Committee, he doesn’t believe there will be a distinct fee savings involved because of the complexity of Metro’s plan.

Mr. Curtis inquired with legal on how the oversight of legal documents will work. Ms. Darby stated the Charter requires this Committee to have sole control over the investments, so even if there is an outside entity assisting the Committee, the Committee makes the decisions. She stated we have contracts with investment managers where we provide the parameters for what they are investing in. Mr. Curtis asked, if we used a corporate model, could we have the OCIO sign off on those. Ms. Darby stated the Committee would need to have some review, and parameters would need to be set within the contract.

Mr. Crumbo said this is a commitment to go out and look, not commit. He said he would encourage making these reviews every few years to keep up with the trends. Mr. Curtis stated he thinks we have some governance issues to look at and ultimately the 4 Committee members carry the fiduciary responsibility.

Mr. BouSamra stated it is unclear to him whether we are looking to do an audit of the current processes or if we are looking to award a contract based on bids from the RFQ. Mr. BouSamra said it is worthwhile to look into the current processes before discussing changing them. You may end up happy with the current process or find a better way to move forward.

Ms. Bailey asked where the role of our CIO comes in with this proposed model and she hopes this will lead to enhancements versus losing Metro’s in house expertise. Ms. Bosch explained there is no intention to get rid of our in-house expert, this is simply an enhancement.

Mr. Stronkowsky stated Texas passed SB322, where public pension plans are required to produce a report every 3 years regarding governance, policy, roles of the Committee and CIO, risk monitoring, fees, amongst other items. He stated this might be a good resource to reference for reviewing Metro’s process.

Mr. Crumbo entertained a motion to accept the recommendation as presented in the memo from the Treasurer to gather quotes and information and making a presentation to the Committee once that is available.

Ms. Bosch clarified the recommendation is to create and submit an RFQ for Investment Services. Mr. Curtis made the motion as recommended, and Ms. Bradley seconded the motion.

Ms. Bosch explained the procurement process more in depth, and explained it is an extensive process to create the RFQ and it will be submitted for responses, and once responses are received, they would be brought to the Investment Committee for review.

Mr. Crumbo asked if there was any more discussion. He took a vote, and the vote was unanimous to approve the recommendation.

Ms. Bailey requested to see a copy of the RFQ prior to it going out for bid, and Ms. Bosch said a copy will be presented to the Committee.

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

(Date)