M I N U T E S

**METROPOLITAN EMPLOYEE BENEFIT SYSTEM**

**INVESTMENT COMMITTEE**

August 5, 2021 @ 11:30 a.m.

Investment Committee Meeting Howard Office Building- OMB Conference Room

The Investment Committee met on Thursday, August 5, 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

NEPC: Margaret Belmondo & Keith Stronkowsky

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.
* **ESG Discussion:** Ms. Bosch explained that this is an educational opportunity for the Committee as well as an opportunity for us to understand if the Committee would like to add language to the investment policy around ESG. Mr. Stronkowsky introduced Ms. Belmondo and she directed the Committee to the ESG Overview provided by NEPC. Ms. Belmondo discussed industry landscape and trends, NEPC’s approach to ESG, and the future outlook. She also explained the 4 pillars to impact investing including negative screening, ESG integration, thematic, and shareholder engagement. Ms. Belmondo went over some of the DOL guidelines and some of the challenges they present public plans and the changing regulatory landscape.

Mr. Crumbo asked for clarity from Ms. Darby around The Exclusive Purpose Doctrine and fiduciary requirements. Ms. Darby explained we are not an ERISA plan, so we are not bound by ERISA, but we do consider ERISA parameters as guidelines. She also explained there are state laws which give the same fiduciary duties to the trustees to our plan as ERISA does to ERISA plans. The concept of ESG focused investing implicates the fiduciary duty of loyalty to the participants and beneficiaries of the plan. State law in Tennessee, The Uniform Prudent Investor Act says, “A trustee shall invest and manage the trust assets solely in the interest of the beneficiaries.” Ms. Darby explained when considering ESG investments, you’re looking to make investments which benefit a 3rd party, which is not permitted. She explained when looking at two investments, one ESG focused, one not, the Committee would evaluate expected returns and risks associated with both investments and if parameters were equal, then the Committee could determine if they wanted to approve the ESG focused investment.

Mr. BouSamra explained the Committee may be surprised at how many of our investments are ESG aware with some level of compliance because we deal with institutional managers that cater to many different types of plans. Also, we look at governance and sustainability in the investment evaluation process.

* **Fiduciary Discussion:** Ms. Darby provided the conflict-of-interest document which the Committee has seen before outlining fiduciary responsibilities and the duty of loyalty to the beneficiaries. She expressed outside influence of any kind, including ESG investing or political interest are not permitted. The Mayor has the authority to appoint Committee members by way of appointing Benefit Board members and Council has the authority to confirm. Ms. Darby also said there is a particular provision in the Metro Charter which prohibits other members of the Benefit Board from participating in investment decisions. There is guidance under the Prudent Investor Act and the Metro Charter which leads the Committee toward making independent decisions and to not be pressured by outside influences.

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

(Date)