

MINUTES

METROPOLITAN EMPLOYEE BENEFIT SYSTEM INVESTMENT COMMITTEE

November 30, 2021 @ 9:30 a.m.

Investment Committee Meeting

Lindsley Hall- Peabody Room (relocated from Sonny West)

The Investment Committee met on Tuesday, November 30th, 2021 @ 9:30 a.m.

Those Investment Committee members present were:

Stephanie Bailey, Christine Bradley, and Kelly Flannery

Other attendees:

NEPC: Dan Beaton & Keith Stronkowsky

Voya: John Cox

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

Internal Audit: Seth Hatfield, Lauren Riley, & William Walker

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

- **Establish a quorum:** Ms. Bosch established that a quorum was present, and the meeting was called to order.
- **Introduce New Finance Director – Kelly Flannery:** Ms. Bosch introduced Metro’s new Director of Finance, Kelly Flannery to the Investment Committee.
- **Select Committee Chair:** Ms. Bradley made a motion to select Kelly Flannery as the Chair of the Investment Committee. Ms. Bailey seconded the motion. The motion passed unanimously.
- **Approval of minutes from the August 26, 2021 meeting:** Ms. Bradley made a motion to accept the minutes as written. Ms. Bailey seconded the motion. The motion passed unanimously.
- **Benefit System Pension Audit Review:** Mr. Walker explained the internal audit role and findings/recommendations from the most recent audit of the Pension Plan. Mr. Walker explained the following objectives of the audit.
 - Pension Plan investment objectives, allocation ranges, and other directives are being achieved as specified in the Investment Policy.
 - Pension investments are being managed and are in line in accordance with public pension best practices.
 - Governance over the pension investments is in line with public pension best practices.

Mr. Walker explained the following 5 audit observations/recommendations:

- Observation A: Private Equity Investments- Outside of Investment Policy. Either changing the Investment Policy or bringing PE investments closer to target.
- Observation B: Investment Policy Best Practices- Bring in line with industry best practices.
- Observation C: Investment Committee Core Competencies & Education- add additional education opportunities and a standard for annual education.
- Observation D: Independent Experience Study- Complete every 5 years.
- Observation E: Office of the Treasurer Staffing: Evaluate for sufficiency to assist the Investment Committee.

Mr. Walker explained the audit team will send an auditor to ensure that the observations have been implemented appropriately.

Ms. Bradley made a motion to accept the observations and recommendations as outlined by Mr. Walker. Ms. Flannery seconded the motion, and the motion passed unanimously.

- **Committee Approval for the Following:** Mrs. Bosch explained the procurement process for the RFP's being requested and the Committee expressed interest in seeing drafts of the RFP's before they are put out for bid.
 - Plan/Administration Review & OCIO – Ms. Bosch explained the OCIO and plan administration review RFP's will help to address some issues found in the audit. The RFP's will be brought back to The Committee for approval before submission for bid.
 - Securities Fraud Council – Ms. Darby explained our custodian files claims on our behalf, but the securities monitoring would allow us to monitor global securities.
 - Committee Annual Training – Ms. Bosch explained our proposed Investment Policy will include a requirement for annual training for the Committee Members that is Trustee related to keep up to date with market trends and stay informed.
 - Experience Study – Ms. Bosch explained we will procure an actuary to complete an experience study, independent of Metro's contracted actuary.

Ms. Bailey made a motion to approve the request for staff to move forward with all 4 RFP items presented including: the Plan/Administration Review, OCIO, Securities Fraud Council, and Experience Study, and the addition of the Annual Training requirement to the Investment policy. Ms. Bradley seconded the motion and the motion passed unanimously.

- **Draft Investment Policy:** Ms. Bosch reviewed changes to the Investment Policy and asked The Committee to review and send back changes by the end of the calendar year if anyone has any comments or concerns. Ms. Flannery expressed a desire to tighten the private equity range in the policy and expressed interest in getting a recommendation from NEPC as to what the range should be. The Committee also asked for options in selling portions of the PE portfolio to bring the asset class closer to being back in range.

Ms. Bosch said she would be sending out a corrected version of the Investment Policy for everyone’s review after a few additional edits and in collaboration with NEPC’s recommendations.

- **Distribute 3rd Quarter 2021 457b Reports:** Ms. Bosch distributed both the Voya Activity report, NEPC Performance Report - 457 plan, and the NEPC Annual Fee review. Mr. Beaton explained the plan fee review including investment fee review, recordkeeping and custody fee review. He also explained the Voya small cap fund is underperforming and they may come back to the next meeting with a recommendation for replacement.

Michell also explained the work with Voya and NEPC to change from Wells Fargo Target Date Funds to Vanguard. She also explained the extension to the Voya contract, overall fee reduction, and the automation of the contribution change process as a result of the extension of the contract.

- **3rd Quarter 2021 Pension Performance:** Ms. Bosch introduced the pension performance presentation for 3rd Quarter. She also explained the COLA for the Division A plan is 5% and COLA for the Division B plan is 2.5% starting January 1st.

Mr. Stronkowsky discussed key market highlights including virus variants and inflation. He also explained Metro’s assets totaled over \$4.4 Billion as of Sept 30, 2021. Plan return for the quarter, 2.47%, net of fees, and year to date, the plan return was 18.06% which outperformed the benchmark by 10.22%.

Mr. Stronkowsky & Mr. BouSamra explained that for the quarter ending September 30, 2021 the plan ranks 1st in returns compared to other public plans. The plan also ranks 5th percentile or better for all time periods shown. Mr. Stronkowsky went over the plan’s Sharpe Ratio and explained that the plan is getting more return for less risk compared to other public plans within the Investor Force universe.

Mr. Stronkowsky reviewed the results of the private markets which include Fixed Income Alternatives, Private Equity Investments, and Real Estate & Real Assets. He compared commitments, paid in capital, capital to be funded, cumulative distributions, and the report concludes the total value is \$1.59 for every \$1 invested. The report lists the IRR of all private market investments at 11.62%.

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

- **General Updates:**

- Cash in Metro MIP as of 9/30/2021 \$8,254,535
- Private cash flow in the trailing year:

		Committed	Paid in Capital	Capital to be funded	Cumulative Distributions	Current Valuation	Total Value	Net Benefit
PE	Q3 2020	1,113	843	270	663	1,135	1,798	955
	Q3 2021	1,143	862	281	740	1,195	1,934	1,092

	Net	30	19	11	77	60	136	137
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- We pushed planned commitments from this meeting to the next.
- We paused our effort to pursue a secondary sale of Axiom funds.

Approved _____ by _____
(Date)