

MINUTES

METROPOLITAN EMPLOYEE BENEFIT SYSTEM INVESTMENT COMMITTEE

August 26, 2021 @ 9:30 a.m.

Investment Committee Meeting

Howard Office Building- Sonny West Room

The Investment Committee met on Thursday, August 26th, 2021 @ 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 & Deltra Hayes

Staff: Michell Bosch, Treasurer, Fadi BouSamra, CIO, & Tammara McGee, 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 20th, 2021, July 12, 2021, & August 8th, 2021 meetings:** Mr. Curtis made a motion to accept all minutes as written. Ms. Bradley seconded the motion. The motion passed unanimously.
- **2nd Quarter 2021 Pension Performance:** Mr. Stronkowsky discussed key market highlights including positive momentum due to vaccine rollouts and economies around the world are rebounding. Metro's assets totaled over \$4.4 Billion, an increase of approximately \$378 million during the 2nd quarter. Metro's asset allocations are within policy except for Private Equity, which is overweight relative to policy largely due to strong performance. Future commitments are being adjusted to work back towards policy target.

Mr. Stronkowsky reviewed the Metro Plan's performance. He discussed the total fund returned 10.3% for the quarter, outperforming the policy index by 5.7%. The total net fund returned 32.5% for trailing 1-year, outperforming the policy index by 7.1%.

Mr. Stronkowsky & Mr. BouSamra explained that for the June 30, 2021 quarter, the plan ranks 1st in returns compared to other public plans. The plan also ranks above 9th percentile 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.

- **Recommendations & Updates:** Mr. BouSamra and Mr. Stronkowsky reviewed the following recommendations and General Updates:
- **General Updates:**
 - Cash in Metro MIP as of 6/30/2021 \$9,117,191
 - Greenspring agreed to be acquired by StepStone Group. We are reviewing our use of Greenspring funds. As of right now we are unlikely to participate in the Partners fund but continue to have a positive view on the Secondary and Opportunity funds since they are likely to benefit from the larger platform to source opportunities. We are working with NEPC to add high conviction funds to the PE allocation and continually monitor the acquisition.
 - Plan risk is down due to bringing fixed income close to target as demonstrated by the BarraOne risk reports.
 - As the funding improved over the last few years, we have increased our allocation to income generating investments that provide good downside protection. This will continue going forward given the improved funding level.
 - The PIMCO Private Credit fund and Tactical Opportunities fund are now committed at \$100 million each. We will likely ask to increase the allocation in the future.
 - We will have four commitments for the November meeting.

Recommendations:

Fixed Income Alternatives:

➤ **Arcmont SMA:**

Mr. BouSamra explained Arcmont is our European private lending SMA, they have deployed most of the 100 million allocated. The fund has an IRR of 12.99%. We are recommending another \$25 million commitment. The commitment is in place of other commitments we have made with higher fee managers.

Recommendation – Approve up to \$25 million additional commitment to Arcmont SMA.

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

➤ **MC Capital Hygeia SMA:**

Mr. Stronkowsky explained the Hygeia SMA has made good progress on deploying capital and was able to implement one turn of leverage at attractive pricing at the end of June. Similar to the Arcmont SMA MC Capital provided capital to Opportunistic deals. We are recommending expanding the mandate to allow up-to 15% in Opportunistic deals.

Recommendation – Allow the MC Capital Hygeia fund to invest up to 15% in rescue capital.

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

Private Equity:

➤ **Greenspring Secondaries V:**

Mr. BouSamra explained this fund will source secondary investments from the Greenspring platform. Mr. Stronkowsky explained NEPC has rated the fund as a 1. Metro has invested in three previous vintages of the fund.

Recommendation – Invest up to \$30 million in Greenspring Secondary fund V

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

➤ **Private Equity Pacing Plan and Approval of Above Target Exposure:**

Mr. Stronkowsky explained the plan finished the quarter with 25% in Private Equity, well above the 12% target. Distributions from private equity have been well above the capital calls. However, returns have been robust. We have managed the risk to the overall portfolio by reducing exposure to other risk assets and will manage the exposure down with future commitments and the monetization of gains from the mature portfolio.

Recommendation – Approve the current over-allocation to private equity and continuing to manage exposure down by reducing commitments going forward.

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

➤ **Direct Secondary Opportunity:**

Mr. BouSamra explained there is an opportunity to acquire two Axiom funds at a substantial discount. We can investigate and come back to the Committee with recommendations.

Recommendation – Approve staff to investigate possibility of the secondary purchase.

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

- **2nd Quarter 2021 MetroMax review:** Mr. Beaton reviewed the executive summary which highlights fund performance. He also discussed moving from Wells Fargo Target Date Funds to the Vanguard Target Date Fund lineup. The Committee was distributed a review of the existing 457 Investment Policy and NEPC did not recommend any changes.
- **2nd Quarter 2021 MetroMax Activity Review:** Mr. Cox reviewed the MetroMax 2nd Quarter 2021 Activity Report – As of 06/30/21 the plan reached an all-time high of 7732 participants

and payroll contributions remained nearly the same from last year at over \$14 Million annually. Mr. Cox also explained the plans assets were at an all time high at over \$420 million.

Approved _____ by _____
(Date)