

# MINUTES

## METROPOLITAN EMPLOYEE BENEFIT SYSTEM INVESTMENT COMMITTEE

May 25, 2023 @ 9:00 a.m.  
Investment Committee Meeting

Howard Office Building  
Howard Office Building – Sonny West Conference Room

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The Investment Committee met on Thursday, May 25, 2023 @ 9:00 a.m.

Those Investment Committee members present were:

Christine Bradley, Tom Curtis, Kelly Flannery, and Gilbert Gonzales

Other attendees:

Meketa: Aaron Lally, Tad Ferguson, and Shawn Bowen

Voya: John Cox

Staff: Michell Bosch, Treasurer, Fadi BouSamra, Finance Manager, and Katelyn Richie, Senior Treasury Analyst

Others Attending: Josh Thomas and Lexie Ward, Metro Legal

- **Establish a quorum:** Ms. Bosch established that a quorum was present, and the meeting was called to order.
- **Approval of minutes from the March 23, 2023 meeting:** Ms. Bradley made a motion to accept the minutes as written. Mr. Curtis seconded the motion. The motion passed unanimously.
- **Asset Allocation:** Ms. Bosch explained as a result of the Asset Allocation survey and discussion regarding the Committee's risk tolerance a new asset allocation recommendation has been drafted. Mr. Lally explained this asset allocation recommendation is a result of previous conversations with the Committee and as he understands it, the Committee is comfortable with the exposure and current risk/return profile of the plan, but the Committee is not comfortable with being over allocated to PE. After much deliberation back and forth with the Metro staff, he presented the recommended Asset Allocation to the Committee which brings the Asset Allocation in line with the current allocation. He reviewed the recommended policy and recommended ranges for each asset class. The recommendations are outlined below.

	Recommended Policy (%)	Recommended Ranges (%)	Meaningful Change
US Equity	17	12 - 22	No change
International Equity	12	7 – 17	No change
Private Equity	20	15 – 23	Old range was 0 - 15
Fixed Income (+ cash)	25	17 – 33	Old range was 15 - 25
Private Debt	17	12 – 20	Old range was 0 - 21
Real Assets	9	5 – 12	Old range was 0 - 15
Cash	0	0 – 5	No change

After a detailed discussion, Ms. Bradley made a motion to adopt the new asset allocation as recommended. Mr. Curtis seconded the motion. The Committee voted to approve, and the vote was unanimous.

- **Investment Policy Draft:** Ms. Bosch explained last year we revised the Investment Policy Statement and this year we are updating it to incorporate the approved changes to the Asset Allocation and a few additional recommendations from Meketa and staff. She outlined a few of the changes including combining the scope and purpose into one section. added a 4<sup>th</sup> objective called relative performance in the investment objective section, policy targets (approved at this meeting), and a few minor grammatical and clean-up items.

Ms. Bradley made a motion to accept the changes to the Investment Policy Statement as presented by staff. Ms. Flannery seconded the motion. The Committee voted to approve, and the vote was unanimous.

- **Recommendations & Updates:**

#### General Updates:

- Cash at Metro as of 3/30/2022: \$8,626,640
- TPG purchased Angelo Gordon last week.
- Update on AT1 litigation – Mr. BouSamra explained Pimco has decided to pursue litigation. Ms. Ward explained Metro Legal is in contact with a law firm to pursue this on our behalf. Mr. Thomas said they are working on an engagement letter to work out the terms for this engagement. He said he thinks estimated costs will be around \$25,000.

#### SMID Equity:

- **William Blair SMID Cap** – Mr. BouSamra explained the SMID contract expired and needs to be renewed. We are in the process of negotiating a contract with William Blair to retain them for the International Mandate the IC approved last year. The two strategies will be covered in one contract. The manager has a strong team with a solid process that has proved to be consistent. Mr. Bowen explained they have other clients invested with William Blair and they like the firm overall. He also outlined the manager fits a niche in the portfolio as the only SMID Growth manager.

**Recommendation:** Renew William Blair’s SMID contract.

**Motion:** Ms. Bradley made a motion to accept the recommendation as presented. Mr. Curtis seconded the motion. The Committee voted, and the vote was unanimous.

#### **Private Equity:**

- **StepStone VC Global Partners XI** – Mr. Ferguson explained Stepstone Global Partners XI is a venture capital fund of funds. Stepstone VC will commit 70% of the fund to 25 early stage and growth funds, the remaining 30% will be invested in direct investments. The Metro Pension has invested in five of the last six vintages of this fund.

**Recommendation:** Invest up to \$10 million in StepStone VC Global Partners XI.

**Motion:** Mr. Curtis made a motion to accept the recommendation as presented. Ms. Bradley seconded the motion. The Committee voted, and the vote was unanimous.

#### **Real Assets:**

- **PIMCO Real Estate Opportunities fund (PREO)** – Mr. Ferguson explained Pimco PREO is designed to take advantage of distress in the real estate market. The Metro Pension previously invested in PIMCO’s BRAVO series of funds that had a broad mandate that included and often focused on real estate; going forward PIMCO will discontinue the BRAVO series in favor of this real estate dedicated strategy. PIMCO offered very beneficial terms for this fund. This commitment along with the previously committed \$30 million to the PIMCO Corporate Opportunities fund will result in a substantial reduction in fees and incentives charged in for the PREO fund. Staff and Meketa plan on following the two funds carefully in the coming months and may come back to the IC to upsize the commitments.

**Recommendation:** Commit up to \$60 million to PIMCO PREO.

**Motion:** Ms. Flannery made a motion to accept the recommendation as presented. Mr. Gonzales seconded the motion. The Committee voted, and the vote was unanimous.

- **Investment Committee By-Laws:** Mr. Thomas explained the Investment Committee By-Laws need updating. He explained Legal made a few suggested updates including: 4-member Committee structure, removal of vice-chair, annual election of the Committee Chair, Treasurer’s office administrative support to the Committee including leading meetings as asked, and a few additional clarifying additions. Mr. Thomas explained there is no action to take at this point. Staff will bring back the document for approval at the next Committee meeting. Ms. Flannery asked that it be codified in the By-Laws an allotted time to be identified for re-visiting the by-laws in the future.
- **1<sup>st</sup> Quarter 2023 Pension Performance:** Mr. Bowen discussed the current markets and ongoing debt ceiling issues. He explained it was a volatile quarter for most asset classes driven by evolving monetary policy expectations and high-profile bank failures. Ultimately investors remained focused on slowing inflation and potentially peaking rate hikes leading to positive results across most asset classes for the quarter.

In regard to Metro’s plan, it was valued at \$4.1 billion at the end of Q1 2023, an increase of ~\$17.6 million over the three-month period. Looking over the long term of 3-, 5-, and 10-year time frames, Metro Nashville’s performance has been consistently outperforming the benchmark and exceeding the expected rate of return.

- **Distribute 457(b) Reports and SECURE 2.0 update:** Ms. Bosch distributed the 457 reports including the performance report and the Voya Activity Report. Ms. Bosch also gave an update on the SECURE 2.0 provisions for 50+ catch-up. She said staff will present at the next Benefit Board Meeting regarding changes relating to this mandate.
- **Future Meeting dates for 2023:** Thursday, August 10, 2023 – 11:00am-1:00pm (educational)  
Thursday, September 28<sup>th</sup>, 2023 – 9:00am-10:30am  
Thursday, November 30<sup>th</sup>, 2023 – 9:00am-10:30am

Approved \_\_\_\_\_ by \_\_\_\_\_  
(Date)