

MINUTES

METROPOLITAN EMPLOYEE BENEFIT SYSTEM INVESTMENT COMMITTEE

September 12, 2023 @ 2:00 p.m.
Investment Committee Meeting

Lindsley Hall – Peabody Conference Room
730 President Ronald Regan Way, Nashville, TN 37210

The Investment Committee met on Tuesday, September 12, 2023 @ 2:00 p.m.

Those Investment Committee members present were:

Tom Curtis, Kelly Flannery, and Gilbert Gonzales

Other attendees:

Meketa: Aaron Lally and Shawn Bowen

Voya: John Cox

Staff: Jenneen Kaufman, Deputy Finance Director, Michell Bosch, Treasurer, Sharon Sepik, Assistant Treasurer, Fadi BouSamra, Finance Manager, and Katelyn Richie, Senior Treasury Analyst

Others Attending: Josh Thomas, Metro Legal

- **Establish a quorum:** Ms. Bosch established that there was not a quorum present at the beginning of the meeting. The meeting began as information only.
- **Public Comment Period:** Ms. Bosch noted no participants signed up for the public comment period.
- **Treasurer's Report:** Ms. Bosch explained the Independent Actuarial Review was presented to the Benefit Board at their August 1 meeting. Recommendations from Athena were presented, and the report was approved. The Treasurer's Office has recommended an Independent Actuarial review to take place every 5 years.

Ms. Bosch reminded the Committee of the continuing education requirement per the Investment Policy. She explained that the previously scheduled educational session was canceled due to schedule conflict, but additional training is available and any related travel expenses will be covered by the System.

Ms. Bosch shared that the Hackett governance plan review was underway. The Hackett team has interviewed some of the staff as well as the Committee Chair and is waiting to interview the remaining three Committee members before preparing a draft report. A formal presentation will be scheduled in January.

Ms. Bosch explained that there is an Investment Committee meeting scheduled for January 11, 2024, where the review will be presented by Hackett. She explained the Committee will then

decide whether to submit to the Benefit Board. Ms. Bosch shared that she recommends submitting the report to the Benefit Board for transparency.

Ms. Bosch shared a proposed schedule for future Committee meetings.

- **Credit Suisse Contingent Convertible Bonds Litigation Update:** Mr. Thomas provided an update regarding the ongoing Credit Suisse litigation. He explained that a law firm has been engaged to represent Metro and a complaint was filed on April 18, 2023. The parties involved in litigation are FINMA, Credit Suisse & UBS. The Swiss court has ordered FINMA to produce the file regarding its write-down decision. Credit Suisse has requested the file production be limited, which is still being discussed in court. Mr. Thomas explained that a decision has yet to be made from the court as of August 29, 2023, and the case is currently in a holding pattern.

Updates will be shared with Treasury Staff as received. Ms. Bosch explained that a payment to the court in Switzerland has been processed for legal fees. She explains that both parties must pay legal fees, but the winning party will have the fees reimbursed by the losing party upon ruling.

- **Distribute Q2 457 Reports:** Ms. Bosch explained Voya and NEPC will present at the next meeting in November. NEPC will have the quarterly report as well at the annual fee study.

Ms. Bosch explains that the MetroMax NEPC Quarterly Review has been completed with no recommendations/actions at this time. According to the Voya activity report the plan had 4900 active participants and ~ \$405 million in holdings.

Kelly Flannery asked how the new 457 Roth option will be announced to eligible employees. Mr. Cox explained that meetings have been scheduled with Payroll, Treasury, & Finance to discuss the implantation of the Roth option which will be available January 1, 2024. There was brief discussion regarding potential ways to distribute the information. Ms. Bosch explained that with each change in the Plan, an announcement is sent out to all qualifying employees. Ms. Kaufman explained that Metro will request Voya conduct on-site educational meetings for employees regarding Roth vs. traditional options available to them.

- **2nd Quarter 2023 Pension Performance:** Mr. Lally presented the report. He reported the Plan was valued at \$4.1 billion at the end of the 2nd Quarter. There was an investment gain of ~ \$72 Million for the quarter, and after benefits were paid, the net increase was ~\$40 million.

Mr. Lally summarized to the Committee of the change to the Asset Allocation at the previous meeting. Since then, the plan is fully compliant, and the assets are closely aligned with the target set in the policy.

Mr. Lally reviewed the plans performance. For FY23, the plan return was 0.7%, while the policy benchmark return was 9.4%. A poor year in terms of relative performance, but this is largely explained due to comparing private assets to a public benchmark. During this period, the stock market went up and private equity went down causing the drastic difference between the plans return and the benchmark. He explained this is not unique to Metro's plan. In years

past, this effect was the exact opposite and looking at the longer time periods, the allocation has paid off.

Mr. Lally reviewed the Total Private Markets Performance section of the performance report and focused on the TVPI (Total Value Paid In) which shows every \$100 Million put into Private Debt, Private Equity, and Real Assets, ~\$ 135 million, ~\$200 million, and \$~318 million has been generated in each of those asset classes respectively.

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

General Updates:

- Cash at Metro as of 06/30/2023: \$1,125,742
 - 457 MetroMax Consultant contract expiring next year.
 - VOYA Mortgage Fund change of Venue requested in process.
 - Changing securities lending collateral to a comingled fund per BNYMellon request.
 - Net cash distributions from the private portfolio have picked up significantly since the end of June. We are working with Meketa on redeploying the cash.
- **Establish a quorum:** Ms. Bosch established there was a quorum beginning at 2:36pm.
 - **Approval of Minutes from the May 25, 2023 Meeting:** Mr. Curtis made a motion to accept the minutes as written. Ms. Flannery seconded the motion. The motion passed unanimously.
 - **Approval of Investment Committee By-Laws:** Ms. Bosch explained that the Legal updated the Investment Committee By-Laws. She explained that the updated by-laws were reviewed in the May meeting, and it is regulatory process to have one meeting in-between the review and approval of the by-laws.

Mr. Thomas explained that at the previous meeting the Chair requested to add a requirement to periodically review the by-laws. Section 12 was updated to require the review of the by-laws every 5 years.

Mr. Curtis made a motion to approve the By-Laws as presented. Ms. Flannery seconded the motion. The motion passed unanimously.

- **Recommendations- Recommendation reports were presented by Meketa and the Committee took action on the following:**

Private Equity:

- **StepStone VC Secondaries VI** - StepStone VC Secondaries VI will target direct secondaries, LP interest and GP led secondaries. The Metro Pension has

invested in previous iterations of the fund and has approximately \$10 million in undrawn capital from fund V.

Recommendation: Invest up to \$10 million in StepStone VC Secondaries VI.

Motion: Mr. Curtis made a motion to accept the recommendation as presented. Ms. Flannery seconded the motion. The vote passed unanimously.

➤ **LGT Crown Europe Small Buyouts VI** - LGT Crown Europe Small Buyouts VI will target European small buyout market with 60-70% in primary fund investments, 15-20% in secondaries, and 10-15% in co-investments. The Metro Pension has invested in previous iterations of the fund and has approximately \$10 million in undrawn capital from fund V.

Recommendation: Invest up to \$10 million in LGT Crown Europe Small Buyout VI.

Motion: Mr. Curtis made a motion to accept the recommendation as presented. Ms. Flannery seconded the motion. The vote passed unanimously.

Private Debt:

➤ **OSP Value Fund IV** –OSP Value Fund IV is focused on senior credit investments primarily sourced through banks and other entities in need or rationalizing their balance sheet. Metro has invested in all previous vintages of the strategy and negotiated favorable terms on the first \$30 million invested.

Recommendation: Commit up to \$30 million to OSP Value fund IV.

Motion: Mr. Curtis made a motion to accept the recommendation as presented. Ms. Flannery seconded the motion. The vote passed unanimously.

Comments: Mr. Curtis disclosed that he now works for Brown Advisory and asked Mr. Lally if Meketa uses them. Mr. Lally explained that Meketa has clients that use Brown Advisory. Mr. Curtis stated that in the event of a recommendation relating to Brown Advisory he would abstain from voting to avoid the appearance of a conflict of interest.

- **Future Meeting dates for 2023:**
 - Thursday, November 30th, 2023 – 9:00am-10:30am
- **Potential meeting dates for 2024:**

- Thursday, January 11, 2024 – 9:00am-10:30am (Hackett & Legal Presentations)
- Wednesday, March 20, 2024 – 9:00am-10:30am
- Thursday, May 23, 2024 – 9:00am-10:30am
- Wednesday, August 21, 2024 – 11:00am-1:00pm (educational session – topic TBD)
- Thursday, September 26, 2024 @ 9:00am-10:30am
- Wednesday, November 20, 2024 @ 9:00am-10:30am

Approved 11/30/2023 | 9:05 AM PST by Kevin Crumbo
(Date)