

## MINUTES

### METROPOLITAN EMPLOYEE BENEFIT SYSTEM INVESTMENT COMMITTEE

November 30, 2023 @ 9:00 a.m.  
Investment Committee Meeting

Howard Office Building – Sony West Conference Room  
730 President Ronald Regan Way, Nashville, TN 37210

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The Investment Committee met on Thursday, November 30, 2023 @ 9:00 a.m.

Those Investment Committee members present were:

Christine Bradley, Kevin Crumbo, Thomas Curtis, and Gilbert Gonzales

Other attendees:

Meketa: Aaron Lally

Voya: John Cox, Tom Boyle, Deltra Hayes, and Len Goff

NEPC: Dan Beaton

Staff: Kevin Brown, Deputy Finance Director, Michell Bosch, Treasurer, Sharon Sepik, Assistant Treasurer, Fadi BouSamra, Finance Manager, Katelyn Richie, Senior Treasury Analyst, and Ariana Brooks, 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.
- **Public Comment Period:** Ms. Bosch noted no participants signed up for the public comment period.
- **Introduce New Finance Director:** Ms. Bosch introduced Kevin Crumbo as the new Finance Director for Metro Nashville.
- **Elect Committee Chair:** Mr. Curtis nominated Kevin Crumbo for committee chair. Mr. Crumbo accepted the nomination. Mr. Curtis made a motion to elect Mr. Crumbo as committee chair. Ms. Bradley seconded the motion. The motion passed unanimously.
- **Approval of Minutes from September 12, 2023 Meeting:** Ms. Bradley made a motion to accept the minutes as written. Mr. Curtis seconded the motion. The motion passed unanimously.
- **Treasurer's Report & Updates:** Mr. BouSamra reviewed the following updates.

**General Updates:**

- Cash at Metro as of 9/29/2023: \$5,774,419.
- 457 MetroMax Consultant RFP will be issued in early January.
- We were able to complete many housekeeping items at the custody level in the last quarter and implement new technologies used by Meketa and BNY Mellon.
- PE distributed \$27 million in the first two quarters of the year and called \$27.6 million.
- Positive developments in the Fixed Income and Private Debt portfolios:
  - AKKR sold IntegriChain to Nordic Capital in the Growth Capital II portfolio. Based on the upfront cash consideration of \$450MM, the sale is expected to generate a ~5.9x gross MOI (~4.4x net MOI) / ~31% gross IRR (~18% net IRR) for Growth Capital II investors. The June 30, 2023 carrying value in Growth Capital II was \$24.3MM, resulting in an approximate write up of 83%. We expect the seller note to contribute an additional ~0.4x gross MOI over its term and stand to make another incremental ~0.8x gross MOI with full achievement of future upside.
  - PIMCO Tactical Opportunities fund had a write-up due to a merger in a position (VG) resulting in a 158% increase.
- We deployed \$70 million in cash during the month of October to address the under allocation to Domestic Equities by adding to our S&P 500 Index ETF.

### No Investment Recommendations this quarter

### Contracting Update:

Contract Status	Contract	Category
Complete	StepStone VC Secondaries VI	PE
Complete	LGT Crown Europe Small Buyout VI	PE
Complete	OSP Value Fund IV	Private Debt

- **3<sup>rd</sup> Quarter 2023 Pension Performance:** Mr. Lally presented the report. He reviewed the economic climate and market condition for the quarter, and explained that the path of inflation remains key, with bond market volatility likely to stay high. At the end of the 3<sup>rd</sup> Quarter the Plan was valued at \$4.1 billion, with a 3 month return of -1.1% compared to the policy index of -2.9%. Long term results remain strong across the 1-, 3-, 5-, and 10-year time periods. All asset classes were within policy range for the quarter.

Mr. Lally explained it has been a challenging 18 months for Private Equity relative to the past 18 years. In 2021, private equity generated a 56% return and in 2022 the plan lost less than the benchmark. Many of the gains have been realized when you look back at the distributions made to Metro in 2021. That money came back to the pension plan as cash distributions, so it was not just valuations going up and down. This has been a huge driver of

the long term returns since the distributions were used for benefit payments and rebalancing to other asset classes.

Mr. Lally explained if the environment stabilizes and rates are holding steady, the plan will get some good returns out of public fixed income and private debt.

- **3<sup>rd</sup> Quarter 457b Report, Annual Fee Review, & Annual IPS Review:** Mr. Beaton presented the Annual IPS Review, Annual Fee Review, and Quarterly 457b Performance Report

Mr. Beaton explained NEPC has no recommendations for changes to the Investment Policy Statement. Mr. BouSamra mentioned the plan would be adding a Roth contribution option in 2024, and the Treasurer's office would work with NEPC at a later date for adding language to the IPS around Roth contributions.

Mr. Beaton presented the annual fee review report and explained this comparison gives a good snapshot of what other defined contribution plans are paying for their investments and recordkeeping. He explained the weighted-average expense ratio for Metro's plan is 0.26% compared to a peer range of 0.12%-0.50%. As far as recordkeeping fees, Voya charges a 7 bps fee to plan participants and NEPC converted that to a per participant dollar amount which calculates to \$34 per participant. The peer range of recordkeeping fees spans from \$25-65, so the fee Voya charges for recordkeeping is on the low end of the range.

Mr. Beaton presented the 3<sup>rd</sup> Quarter 457b Report. The firm watch on PIMCO currently remains, due to an outstanding lawsuit against the company filed in May 2020. Metro Staff has met with PIMCO regarding the issue and are satisfied with the responses. The fund watch on the PIMCO Total Return fund currently remains. We are also monitoring the portfolio due to the recent retirement of one of the portfolio managers.

- **Voya 3<sup>rd</sup> Quarter Activity Report and Technology Update:** Mr. Boyle presented the technology update. He explained that Voya uses behavioral finance tools with technology to access the needs of the employees to predict their next step and guide them to save more for retirement. Voya has used this research to make changes to the customer website that resulted in an increase of 33% in retirement savings from employees engaging on the site.

He explained that a new homepage for the website will be deployed soon, equipped with a personalized financial dashboard for employees. The dashboard includes a budget tool, retirement account linkage, as well as budget and retirement trackers.

The Committee raised concerns regarding the behavioral finance tools being applied to Metro's Voya participants website. Metro Legal will work with Voya to explore disclosure options.

Mr. Cox presented the 3<sup>rd</sup> Quarter Activity Report. He highlighted the local field office activity for the quarter totaling 2,065 attendees to site visits, appointments and Metro events. Enrollments increased 60% as a result of the auto pre-enroll that was previously implemented. In the last 12 months Rollovers and DROPs have added ~\$6.6 million dollars to the MetroMax Plan.

Participation reached a high of 7,902 participants as of September 30, 2023. Payroll contributions reached a high of \$15,298,681 as of September 30, 2023. The Roth option will begin December 1, 2023, and will go into effect January 1, 2024. In early November, Voya sent out over 10,000 mailers to eligible employees to announce the Roth option. Webinars hosted by local advisors will be held and additional information will be sent out in the upcoming weeks.

- **Credit Suisse Contingent Convertible Bonds Litigation Update:** Ms. Ward explained that the litigation currently remains in a holding pattern. The Swiss Administrative Court is still holding filings and we have no reason to believe that we are not filed with the other parties.

Ms. Ward explained there is an additional pending class action litigation in New York Federal Court that is in a holding pattern. The claims are slightly different from the case in the Swiss Court. Metro Legal attended a webinar to attain more information regarding the case and have yet to determine whether it is advantageous to join the litigation.

- **Annual Investment Policy Statement Compliance:** Ms. Bosch reminded the Committee about the education requirement set by the Investment Policy. The Treasurer's office will be sending a form out to the Committee in the upcoming weeks to attest the completion of the required education for 2023.

- **Potential meeting dates for 2024:**

- January 11, 2024 9-10:30am (Pension Plan Review Presentation by Hackett)
- March 20, 2024 9-10:30am (Regular Meeting – Review of Q4 2023)
- May 23, 2024 9-10:30am (Regular Meeting – Review of Q1 2024)
- August 21, 2024 11-1:00pm (Educational Session Lunch)
- September 26, 2024 9-10:30am (Regular Meeting – Review of Q2 2024)
- November 20, 2024 9-10:30am (Regular Meeting – Review of Q3 2024)

Approved 2/28/2024 | 9:10 AM PST  
(Date)

*Kevin Crumbo*