

## MINUTES

### METROPOLITAN EMPLOYEE BENEFIT SYSTEM INVESTMENT COMMITTEE

Thursday, May 23, 2024 @ 9 a.m.  
Investment Committee Meeting

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

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The Investment Committee met on Thursday, May 23, 2024 @ 9:00 a.m.

Those Investment Committee members present were:

Christine Bradley, Kevin Crumbo, and G. Thomas Curtis

Other attendees:

Meketa: Aaron Lally and Tad Ferguson

Staff: Michell Bosch, Metropolitan Treasurer, Sharon Sepik, Assistant Metropolitan Treasurer, Fadi BouSamra, Finance Manager, Katelyn Richie, Senior Treasury Analyst, and Ariana Brooks, Treasury Analyst

Others Attending: Josh Thomas, Metro Legal

- **Establish a quorum:** Ms. Bosch established 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.
- **Approval of Minutes from March 20<sup>th</sup> Meeting:** Ms. Bradley made a motion to accept the minutes as written. Mr. Crumbo seconded the motion. The motion passed unanimously.
- **Treasurer's Update:** Ms. Bosch reviewed the approval from the Committee to hire additional staff to the investment team, with a timeline of 2-4 years. She explained that the timeline needs to be advanced due to Mr. BouSamra's departure from Metro. The official, full-time, position approvals are going through Metro Council for approval.

Ms. Bosch explained that the compliance software, Clearwater, previously approved by the Committee, will cost more than originally expected. The product was demonstrated the investment team has met with Clearwater personnel. Mr. BouSamra further explained the features of the software.

Ms. Bosch explained that she is working with Metro Legal to create procedures and governance for investment operations, that will be put into writing for future visibility. After staff meets with our consultants and Metro Legal, we will bring back some future policies and procedures around governance.

Ms. Bosch requested approval from the committee for 3 amendments to the Limited Partnership Agreement and PPM for Pimco PREO.

Amendments to the Partnership Agreement and PPM include:

- Term Extension: Require the second, 18-month extension to be approved by the LPAC
- Investment concentration limits: Max 15% of a single investment 25% if investment is backed by more than one asset (e.g. pool of loans)
- Leverage limit: clarification that the leverage limit is a hard cap at 3x (vs currently drafted as an expected limit of 3x) and that the target is 2x

Mr. Curtis made a motion to approve staff signing the LPA amendment as presented. Ms. Bradley seconded the motion. The vote passed unanimously. Ms. Bosch noted that the investment team will continue to work with Metro Legal to decide which amendments will come to the committee for approval.

- **1st Quarter 2024 Pension Performance:** Ms. Bosch explained U.S. Equity had double digit returns in the quarter. Fixed income did not fare so well in the quarter, but cash and high yield did well. She explained that the market is expecting interest rates to be higher for a longer period.

Mr. Lally presented the Quarter 1 performance report. He explained the S&P 500 is leading the way in 2023 and the 1<sup>st</sup> Quarter of 2024. In that 15-month time period, the S&P 500 is up ~37%. This is important because the plan has ~550MM, it is the plan's single largest exposure. Driving the S&P 500 is tech/AI hype and consumer spending. Despite inflation, the American consumer is still spending, but largely on credit.

The Plan was valued at ~\$4.3 billion at the end of the first quarter and up 3.3% QTD. Mr. Lally reviewed the attribution effects chart, explaining sources of outperformance or underperformance. All asset classes outperformed except private equity, which outperformed if you look to longer time periods such as 3 years. Mr. Lally also reviewed the plans asset allocation versus policy. All asset classes were within policy range for the quarter.

Mr. Crumbo inquired about geopolitical risks the Plan may have. Mr. Lally explained there are not a lot of direct non-us holdings but there is always a contagion risk, but no immediate geopolitical threats currently which would trigger a tactical change. Mr. Curtis inquired as to how the plan is positioned compared to peers. Mr. Lally reviewed the plans asset allocation and performance as they compare to peers.

- **Investment Recommendations:** Mr. Ferguson presented the following new investment recommendations to the Committee. He explained strategy and due diligence on each recommendation.

**Private Debt:**

- **Arcmont European Lending SMA** is focused primarily on European middle market lending. Metro has committed \$125 million to the fund since inception. The SMA has a favorable fee structure and is hedged to the U.S. Dollar. This recommendation is to add to the existing allocation.

**Recommendation:** Commit an additional \$25 million to the Arcmont SMA.

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

- **Anchorage Credit Opportunities Fund IX** is a distressed opportunistic credit strategy. MEBS invested in three previous vintages of this series and one short credit fund. The team has a long track record of participating in distressed opportunities with positive results.

**Recommendation:** Commit up to \$30 million to Anchorage Credit Opportunities Fund IX.

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

#### **Real Assets:**

- **Soundmark U.S. Real Estate Credit Income Fund (RECIF)** as the name implies focuses on real estate credit. The Investment Committee previously approved up to \$100 million into the open-end fund to be committed over time. Sound Mark is offering favorable economics to redirect the remaining uncommitted \$30 million of that previously approved \$100 million into the closed end fund.

**Recommendation:** Commit up to \$30 million to the AGC Sound Mark RECIF fund. The commitment will be contingent on Sound Mark raising an additional \$70 million by 12/31/2024. If Sound Mark is unable to close on \$100 million by the end of 2024 the commitment will be directed to the Sound Mark Horizons Fund.

Mr. Crumbo requested the additional commitments be other LPs versus Soundmark borrowing the remainder of the capital.

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

- **Distribute 457b Reports:** Ms. Bosch explained that there is \$443 million currently invested in the defined contribution plan, with ~8000 participants contributing. She explained that there is ~\$114,000 assigned to the Roth accounts for the quarter. The pre-tax deposits to the 457b were \$16.5 million from the participants. There were no recommendations for the 457b Plan.

Ms. Bosch explained that there is an upcoming fee review scheduled for the 3<sup>rd</sup> quarter and the investment team is working on an RFP for an advisory service for the 457b Traditional and Roth accounts.

- **Credit Suisse Contingent Convertible Bonds Litigation Update:** Mr. Thomas explained the case is still pending before the Swiss Administrative Court. He reviewed that Credit Suisse previously turned in documents to the court that have yet to be turned over to the attorneys handling the case for Metro. The attorneys expect it to be available to Metro by the end of the current quarter for Metro Legal to review. Mr. Thomas explained that the original retainer for the representing firm was \$10,000 and the remaining retainer balance is ~\$3000. Metro Legal will continue to keep the Committee updated.
- **Educational Opportunity - Central States Institutional Forum 2024:** Ms. Bosch reviewed the upcoming local education opportunity.
- **Meeting dates for 2024:**
  - November 20, 2024 9-10:30am (Regular Meeting – Review of Q3 2024)
- **Metro Legal Update:** Mr. Thomas explained that Metro Legal submitted an RFP, late September 2023, for a law firm to assist with portfolio monitoring. The RFP received 10 responses from law firms across the country. A committee was created with the Metropolitan Treasurer and Metro Legal to review the responses. Three firms were selected to provide the portfolio monitoring services.

Approved 9/27/2024 | 12:26 PM PDT by Kevin Crumbo  
(Date)