

**MINUTES**  
**SPECIAL MEETING OF THE BOARD OF TRUSTEES OF THE OKLAHOMA  
MUNICIPAL RETIREMENT FUND AND THE INVESTMENT COMMITTEE OF  
OKLAHOMA MUNICIPAL RETIREMENT FUND**  
**January 28, 2016**

**1. Call To Order**

The Investment Committee of the Oklahoma Municipal Retirement Fund met at Oklahoma Municipal Retirement Fund Offices, Oklahoma City, Oklahoma on January 28, 2016, at 1:31 p.m. with Investment Chair Shugart presiding. On roll call the following members were present.

**BOARD OF TRUSTEES PRESENT**

Investment Committee:

John Shugart, City Manager, City of Bethany  
Robert Park, Retiree, City of Sallisaw  
Ed Tinker, Retiree, City of Glenpool

Members: Donna Doolen, Finance Director, City of Ada  
Robert Johnston, City Manager, City of Frederick  
Leroy Lage, Retiree, City of Watonga

**OTHERS PRESENT:**

OkMRF Staff: Jodi Cox, Executive Director and CEO  
Chris Whatley, Plan Advisor and Portfolio Strategist  
Rhnea Stewart, Fund Accountant

Others: Haley Rives, Asset Consulting Group  
Kevin Moore, Asset Consulting Group  
Andrew Beck, River Road Asset Management  
Katrina O'Leary, River Road Asset Management  
Daniel Bandi, Integrity Asset Management  
Denise Pearman, Integrity Asset Management  
Tom Capobianco, LMCG Investments, LLC  
Todd Vingers, LMCG Investments, LLC

Shugart extended a welcome to all in attendance and called the meeting to order.

**NOTICE:** The agenda for the January 28, 2016, meeting was posted in the Central Park Tower I, first floor by 1:30 p.m. on January 26, 2016, by Gloria Cudjoe and Jodi Cox.

  
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Signatures

**2. Overview of the Mandate and Investment Managers Presented by Asset Consulting Group**

Moore reviewed the series of events which led to GW Capital making the determination to dissolve their firm and redeem client funds. ACG recommended to Staff that we move assets as soon as practicable. Cox and Shugart reviewed the resolution that authorized the CEO, Trust Attorney and Investment Committee Chair to take action regarding emergency withdrawal of funds, as needed, if

recommended by the investment consultant. Shugart assured the Committee, that we followed the intent of the resolution and felt this situation satisfied an “emergency type” event. Moore and Rives presented how assets would be transitioned to the new investment manager via Northern Trust transition management. ACG recommended temporarily placing assets in an appropriate index fund with the transition manager until a replacement manager could be hired. Moore then reviewed each of the candidates focusing on their risk-return characteristics, management styles, track records and unique differences.

### **3. Presentations Regarding Small Cap Value Management Firms**

#### **River Road Asset Management**

O’Leary introduced herself, Beck and the firm. Beck then reviewed the firm history highlighting that they were able to take their track record from the prior firm. River Road’s style is absolute value investing with the goal of delivering an attractive return with low volatility. This is achieved by investing in good companies trading at a modest discount to fair value. They are bottom-up investors and ignore the index. They use a simple “roll up your sleeves analytical approach” and prefer to measure enterprise value-to-EBITDA instead of P/E. The sell discipline is important because they do not want to lose big and they never “average down” on a stock. The sell discipline is described as 90/110. At 90% of intrinsic value they evaluate their position, at 100% of intrinsic value and trim their position, and at 110% of intrinsic value they are out of the position. He defined a detailed and thorough succession plan.

#### **Integrity Asset Management**

Pearman introduced herself, Bandi and the firm. She explained the roles each one had within the two firms. Bandi stated that none of the investment professionals had ever left the firm noting team culture is very important to them. He described the relationship between Victory as the parent organization and Integrity as a boutique manager. He further noted that the employees at Integrity are invested at Victory. However, succession planning was designed to protect the Integrity firm and give Bandi the ability to control capacity, strategies, compensation, etc. Integrity’s process is to buy value stocks in a risk controlled way. All team members are sector specialists with Bandi as the ultimate decision maker. Stock selection is based on the right company, right price and right time. The portfolio is constructed based on risk controls forcing the team to position the portfolio strategically within the benchmark environment. Sell discipline is based on catalysts, negative fundamentals, or overvaluation.

#### **LMCG Investments**

Capobianco introduced himself, Vingers and the firm. Vingers then explained his role and how he has the authority to close the strategy to protect the integrity of the strategy. They had been closed, but due to market decline reopened. The team is incented through base compensation, equity ownership, and revenue sharing. Compensation is a pool structure with payout based over time resulting in long term performance being rewarded. LMCG’s investment philosophy is a classic value strategy buying high quality value at a discount. The investment process consists of defining the universe, security analysis and portfolio construction, with the goal of hitting lots of singles. They are attracted to companies because something has happened to “beat-up” the stock price. Their largest investor has approximately \$300 million in assets.

4. **Discussion and Development of Recommendation to the Board of Trustees for the Purpose of Hiring a Small Cap Value Manager**

The committee, led by Shugart, reviewed the manager presentations. Different details were discussed and clarification was asked from Rives and Moore regarding some manager responses. Shugart made a motion to present a recommendation to the Board of Trustees of the Oklahoma Municipal Retirement Fund to engage River Road Asset Management as the Small Cap Value Manager to Replace GW Capital. Seconded by Tinker.

Shugart: Yes                  Park: Yes                  Tinker: Yes


5. **New Business**

No new business was considered.

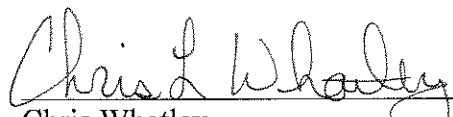
6. **Adjourn**

With no further discussion, Shugart declared the meeting adjourned at 5:07 p.m.

  
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John Shugart, Investment Chair

  
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Marcy Alexander, Vice Chair  
*Lamb*

Respectfully submitted by:

  
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Chris Whatley