

MINUTES
BOARD OF TRUSTEES
OKLAHOMA MUNICIPAL RETIREMENT FUND
January 27, 2017

1. Call To Order

The Board of the Oklahoma Municipal Retirement Fund met at the Oklahoma Municipal Retirement Fund, Oklahoma City, Oklahoma, on January 27, 2017, at 10:03 a.m. with Chair Doolen presiding. On roll call, the following members were present:

BOARD OF TRUSTEES

Chair: Donna Doolen, Finance Director, City of Ada
Vice-Chair: Robert Johnston, City Manager, City of Frederick
Secretary: Bertha Ann Young, Retiree, City of Shawnee
Treasurer: Leroy Lage, Retiree, City of Watonga
Members: Jim Lockett, Jr., Retiree, City of Thomas
Robert Park, Retiree, City of Sallisaw
Melissa Reames, CFO, City of Stillwater
Timothy Rooney, City Manager, City of Mustang
Ed Tinker, Retiree, City of Glenpool

OTHERS PRESENT:

OkMRF Staff: Jodi Cox, CEO & Director
Chris Whatley, Plan Advisor & Portfolio Strategist
Katie Girardi, Plan Administrator

OkMRF Attorney: David Davis

Others: Haley Rives, ACG
Sonya Porter, teacher Harvest Hills Christian School
Tanner Bladine, student Harvest Hills Christian School
Blake King, student Harvest Hills Christian School
Katrina Lambert, student Harvest Hills Christian School
Mariah Moberly, student Harvest Hills Christian School
Jozef Porter, student Harvest Hills Christian School
Jasmine Whatley, student Harvest Hills Christian School

Whatley opened the meeting with prayer and led the Pledge of Allegiance. A moment of reverence was observed for the passing of George F. Wilkinson.

Doolen welcomed everyone and called the meeting to order.

NOTICE: The agenda for the January 27, 2017, meeting was posted in the Central Park Tower, Oklahoma City, Oklahoma by 10:00 a.m. on January 26, 2017, by Gloria Cudjoe.



Signature

2. Approval of Consent Agenda

The following items were presented under the consent agenda.

A. Minutes of December 16 Meeting(s)

B. Monthly Valuation of Fund Assets by Custodian

Option	Value By Fund
Defined Benefit	\$502,339,409.93
International Investment Equity	8,248,011.22
Aggressive Equity	21,931,712.12
Real Assets Fund	13,144.14
Global Equity	2,889,476.41
Growth and Value Equity	21,215,566.74
S & P 500 Index	23,303,624.00
Target Retirement 2060	705,288.32
Target Retirement 2055	2,528,513.53
Target Retirement 2050	5,224,959.44
Target Retirement 2045	9,158,893.22
Target Retirement 2040	12,602,375.17
Target Retirement 2035	17,192,311.75
Target Retirement 2030	21,362,976.84
Target Retirement 2025	33,667,399.23
Target Retirement 2020	34,699,085.72
Target Retirement Income	25,698,507.59
Total Yield Bond Fund	7,324,047.91
Bond Index ¹	12,631,969.46
Voya Fixed Plus III	39,459,415.36
Loan Portfolio	9,005,332.15
Self Directed Brokerage	118,466.28
Total Assets	\$811,320,486.53

C. Purchases and Sales of Assets

D. Administrative Expenses and Fees
 Expenses and Fees for January

Actuary & Recordkeeping	\$38,689
Administration	77,308
Attorney	3,950
Audit	4,000
Board Travel	1,064
Employer Directed Expense	-
Insurance	-
Investment Advisors	258,185
Custodial	266
Investment Consultant	-
Public Relations	-
Representative Travel	<u>610</u>
EXPENSES BEFORE CREDITS	<u><u>\$384,072</u></u>

E. Benefit Payments and Contribution Refunds

Motion made by Luckett, seconded by Tinker to approve all items on the Consent Agenda.

Motion carried: AYE: Doolen, Johnston, Lage, Luckett, Park,
 Reames, Rooney, Tinker and Young

NAY: None

3. Consideration and Possible Action of Items Removed from the Consent Agenda

No action taken.

4. Comments from Public

Doolen welcomed the Harvest Hills Christian School attendees. Sonya Porter introduced herself and stated she hoped, by their attendance, her class would gain knowledge and experience on both public speaking and economic practice. Each student introduced themselves and stated their career path of choice.

5. **Consideration and Possible Action Regarding Investment Committee Report**

A. ACG: Review of Monthly ASAP Reports

Rives briefly discussed the December ASAP Reports. She also covered 2016 year in review starting with an overview of the DB year-end returns. Rives cited the early year loss in the S&P 500 based off of Brexit and Presidential election concerns. At year-end, domestic markets, both large and small cap, rebounded and finished the year strong. Non-US markets saw a rebound in the emerging markets sectors, while the developed market sector remained relatively flat. She further noted bond yields were up due to the rising interest rates and inflation based on low consumer spending. The GDP was up only 1.6% and is considered low for current economic cycle. Park questioned validity of active vs. passive management. Rives advised that the current market movement is very unpredictable and if active money managers are underperforming with 18-19% returns that is still a win and should be expected to outpace passive on the downside.

Rives continued with an overview of the DC year-end returns and cited the same trends that could be seen in the DB plan. The largest growth is in domestic large cap and aggressive funds based off President Trump's plan. The Real Assets fund will assist the DC plan participants in hedging against rising inflation and interest rates. The Target Retirement Date funds are performing in line with the broad markets based on their passive investments.

Rives closed with expressing her appreciation of the OkMRF trustees and staff throughout 2016 and into 2017.

B. ACG: Review of OkMRF 2016 Highlights and 2017 Initiatives

Rives summarized the 2016 accomplishments by first complimenting Staff involved with the major DB custodial bank conversion from JPMorgan to Northern Trust. She further highlighted the following achievements: Hiring both River Road and Harding Loevner asset managers; adding Real Assets to the DC investment lineup; exiting all Securities Lending vehicles/practices; shifting cash balances from prime to institutional money markets and overseeing ownership transfer from Guggenheim Alternatives Platform to Conway Investment Research.

The goals for 2017 were discussed. Rives focused on the importance of educational opportunities regarding DB asset allocation. Namely, expansion of the fixed income portfolio; diversification of the Real Estate portfolio and development of equity long/short portfolio. Highlighting in April, an on-site due diligence trip to Voya, State Street and Pioneer is scheduled. And, in September, ACG and OkMRF will co-host the Oklahoma Public Funds Trustee Education Conference.

C. ACG: Asset Allocation and Capital Market Assumptions Review

At this time, ACG is not recommending a change in the Asset Allocation of DB and DC plans. Rives covered ACG's process to determine both intermediate (10 year) and long-term (30 year) rates of return outcomes on OkMRF portfolio. This electronic program gives ACG the ability to determine if the 7.5% rate of return can be supported in the current and future state. The 10 year showed to be potentially challenging with the 30 year being sustainable. Cox reminded the Trustees that Sean Sullivan with Dean Actuaries will be completing an experience study in 2017 that will allow for better discussion and review of the 7.5% interest rate assumption.

D. Consideration and Possible Action on Reallocation and/or Rebalancing of Assets Among Investment Managers

Cox confirmed the transfer of all assets from JPMorgan to Northern Trust. Cox explained the new accounting setup with Northern Trust includes the deposit account within the unitized accounting model based on industry standard. She highlighted the new trust system will enable Staff to move funds on a day-to-day basis for cash flow purposes rather than waiting until after month-end processing. She further discussed the possible methods (direct or indirect) of paying DB money managers. Staff, ACG and Northern Trust will review within the next few months, with a recommendation to be presented to the Board.

Cox expressed the necessity to pay monthly administrative and investment fees within the illiquid real estate and long/short asset accounts due to a trading halt during custodial conversion to ensure a smooth transition. The related fees were paid from the DB Miscellaneous account. Cash will be raised from each account to reimburse the DB Miscellaneous account. OkMRF has submitted a long/short redemption and will be entering the two real estate queues.

Motion made by Lockett, seconded by Park to ratify the movement of \$680k from the DB Miscellaneous account to JPM Real Estate Value, JPM Real Estate Core, and DB Long/Short funds as presented to fund 2017 fees.

Motion carried: AYE: Doolen, Johnston, Lage, Lockett, Park,
Reames, Rooney, Tinker and Young

NAY: None

6. Consideration and Possible Action Regarding Administrative Committee Report
A. Consideration and Possible Action Regarding Resolution 2017-1 Approving the Destruction of Certain Records

Motion made by Johnston, seconded by Rooney to approve Resolution 2017-1, destroying records for actual physical destruction in accordance with the Record Retention and Destruction Policy.

Motion carried: AYE: Doolen, Johnston, Lage, Lockett, Park,
Reames, Rooney, Tinker and Young

NAY: None

7. Consideration and Possible Action Regarding Contract Committee Report
A. Consideration and Possible Action Regarding First Amendment to the Northern Trust Master Custody Agreement

Discussion regarding an amendment to Northern Trust Master Custody Agreement to explicitly state any legal hearings between Northern Trust and OkMRF will be held in Oklahoma jurisdiction.

Motion made by Lage, seconded by Rooney to approve the first amendment to the Northern Trust Master Custody Agreement as presented.

Motion carried: AYE: Doolen, Johnston, Lage, Lockett, Park,
Reames, Rooney, Tinker and Young

NAY: None

8. **Receive Report on Newly Adopted or Amended OkMRF Member Plans**

Whatley reported on the plan changes for the OkMRF members.

9. **OkMRF Staff Report**

Whatley and Cox reported on the following items:

- 2016 stock market winners were revealed and new predictions made for 2017.
- Cox discussed the upcoming OMCTFOA Spring Institute in Stillwater with trustees welcome to attend.
- Cox gave Trustees a brief tour and summary of the updated OkMRF website reporting praises received from multiple cities/towns and vendors.
- Cox gave a revised update on a potential new member city, Lawton.
- An investment committee meeting will be held at 9:00 a.m. in the board room before the next board meeting to conduct semi-annual investment performance review and explore liquid absolute return fixed income options.
- A contract committee meeting will be held at 9:00 a.m. in corner office before the next board meeting to review vendor performance.
- Cox thanked the students and Ms. Porter from Harvest Hill Christian School for attending the board meeting and wishing them each a bright future.

10. **New Business**

None.

11. **Trustee/Member Comments**

Chair Doolen commented on the appreciation of the attendance by fellow trustees to George's funeral and memorial service.

12. **Adjourn**

With no further business to conduct meeting adjourned.



Bertha Ann Young, Secretary



Donna Doolen, Chair

Respectfully submitted by:



Katie Girardi