

MINUTES
BOARD OF TRUSTEES
OKLAHOMA MUNICIPAL RETIREMENT FUND
April 28, 2017

1. Call To Order

The Board of the Oklahoma Municipal Retirement Fund met at the Oklahoma Municipal Retirement Fund, Oklahoma City, Oklahoma, on April 28, 2017, at 10:02 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
Treasurer: Leroy Lage, Retiree, City of Watonga
Members: Jim Luckett, 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
Rhnea Stewart, Fund Accountant

OkMRF Attorney: David Davis

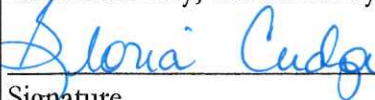
Others: George Tarlas, ACG
Kevin Moore, ACG
Erin Wikander, JPMorgan
Wally Theado, JPMorgan, (Bonds)
Larry Ostow, JPMorgan, (Real Estate)

Guest: Tamera Johnson, City of Shawnee

Whatley opened the meeting with prayer and Tinker led the Pledge of Allegiance.

Doolen welcomed everyone and called the meeting to order.

NOTICE: The agenda for the April 28, 2017, meeting was posted in the Central Park Tower, Oklahoma City, Oklahoma by 10:00 a.m. on April 27, 2017, by Gloria Cudjoe.



Signature

2. Consideration and Possible Action Regarding Election of Board Secretary

Chair asked for nominations for the Board Secretary.

Motion made by Luckett, seconded by Johnston, to nominate Park for the Board Secretary position.

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

NAY: None

3. Approval of Consent Agenda

The following items were presented under the consent agenda.

A. Minutes of March 31, 2017 Meeting(s)

B. Monthly Valuation of Fund Assets by Custodian

Option	Value By Fund
Defined Benefit	\$ 523,845,705.07
International Investment Equity	7,754,547.73
Aggressive Equity	19,519,064.15
Real Assets Fund	313,296.25
Global Equity	3,451,459.66
Growth and Value Equity	19,439,100.61
S & P 500 Index	22,108,571.66
Target Retirement 2060	790,588.49
Target Retirement 2055	2,345,023.67
Target Retirement 2050	4,590,583.44
Target Retirement 2045	6,992,054.51
Target Retirement 2040	9,944,310.22
Target Retirement 2035	14,067,712.42
Target Retirement 2030	19,177,753.19
Target Retirement 2025	30,329,544.14
Target Retirement 2020	31,386,568.84
Target Retirement Income	23,206,585.78
Total Yield Bond Fund	6,214,773.30
Bond Index	9,838,537.56
Voya Fixed Plus III	35,824,055.66
Loan Portfolio	7,856,102.21
Self Directed Brokerage	128,621.75
Total Assets	\$ 799,124,560.31

C. Purchases and Sales of Assets

D. Administrative Expenses and Fees

Expenses and Fees for April

Actuary & Recordkeeping	\$36,062
Administration	84,712
Attorney	3,950
Audit	-
Board Travel	6,066
Employer Directed Expense	4,440
Insurance	-
Investment Advisors	168,013
Custodial	309
Investment Consultant	-
Public Relations	-
Representative Travel	4,708
EXPENSES	<u>\$308,260</u>

E. Benefit Payments and Contribution Refunds

Motion made by Lockett, seconded by Rooney to approve all items on the Consent Agenda.

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

NAY: None

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

No action taken.

5. Comments from Public

Chair welcomed the JPM and ACG presenters and Tamera Johnson, City of Shawnee.

6. **JPMorgan: Annual Update from Investment Managers – Erin Wikander, Wally Theado (Bonds) and Larry Ostow (Real Estate)**

Wikander, as OkMRF's dedicated relationship manager, introduced Ostow, a new real estate portfolio manager for the SPF and SSPF funds and Theado to provide an update on the core bond fund.

Ostow provided a brief summary of the SPF fund as being a pure core asset type. Ostow reported: JPM tends to overweight Class A type large retail malls; debt on assets at property not fund level; majority of debt is fixed rate and plans to reduce debt on productive malls. He further explained their ability to invest in sub markets within a major market and upcoming focus on industrial properties. The SSPF fund acquires higher risk related properties, lower class types, avoids short term lease type properties, acquisitions in the top 10 market regions, tends to redevelop properties and sell more quickly than the SPF fund. Projected returns for 2017 could be in the 10 to 12% range.

Theado summarized the core bond fund fundamentals with an emphasis on research and individual asset selection; higher quality bond selection held to maturity; portfolio turnover is low and uses risk management to limit downside risk relative to benchmark. JPM is currently overweight in MBS spread products; however, value is decreasing in this sector and harder to find good quality spreads, resulting in recent buying of CMBS. Rates are expected to rise during 2017, but there is no expectation that the yields on the longer term bonds will move much. JPM has outperformed the benchmark in 45 periods during rising rates. Updated Board on Doug Swanson 2016 retirement resulting in some management turnover within the team. JPM's philosophy is to reinvest back into the team by utilizing junior level hires and teaching them JPM culture and their process of core bond management.

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

A. **ACG: Review of Monthly ASAP Reports**

Tarlas provided brief comments related to market conditions, noting the long term bull market cannot be sustained forever. He reported during 2017 international and emerging markets are showing stronger performance; Europe is slowly improving due stimulus programs; upcoming foreign political elections and geo political issues remain high particularly in the Middle East. However, overall portfolio is designed for a long term approach to achieve sustainable growth and to mitigate risk of loss during down markets. As the markets become more volatile, the active managers should have stronger performance over respective benchmarks.

Moore reviewed the ASAP reports, indicating returns are meeting policy index with less risk in the three to seven year returns. Small cap returns have rebounded in past five months, however, River Road has struggled due to high cash position and low exposure to financial sector. Long/Short lags to benchmark but provides defensive protection in a down market. Hoplite is on being monitored closely due to under performance, but ACG expects a turnaround within the next two to three quarters. DC investments options performing as expected.

Rooney left the meeting at 11:35 a.m.

B. ACG: Consideration and Possible Acceptance of Final Version of Exhibit A on the DC Investment Policies & Guidelines

Moore and Cox explained that the Exhibit A was updated to name BlackRock Strategic Income Opportunities and applicable Benchmark for the mandate of liquid absolute return within the Total Yield Bond Fund allocation.

Motion made by Luckett, seconded by Tinker, to accept the final version of Exhibit A of the DC Statement of Investment Policy Guidelines and Objectives.

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

NAY: None

C. ACG: Consideration and Possible Action to Approve Intech Consent Letter Regarding Merger between Janus Capital and Henderson Group

Moore briefed Trustees on the organizational structure of Intech now and after merger with Henderson. ACG expects Intech to function the same after merger.

Motion made by Tinker, seconded by Luckett, to approve Intech Consent Letter as recommended by ACG.

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

NAY: None

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

No action taken.

8. Consideration and Possible Action Regarding Administrative Committee Report

None.

9. Consideration and Possible Action Regarding Contract Committee Report

A. Finley & Cook: Consideration and Possible Action Regarding Annual Audit Engagement Letter

Lage, Contract Committee Chair, reported three engagements letters from Finley and Cook be considered for approval and asked Cox to provide a brief overview.

Cox noted that annual financial audit services for fiscal year end of 2017 will be the first year of a five year engagement ending in 2021. This professional service fee increased by \$1,500 for a total of \$26,500 in year one with a \$1,000 per year increase for the remaining four years.

Motion made by Lage, seconded by Luckett, to approve the Annual Audit Engagement Letter with Finley and Cook.

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

NAY: None

B. Finley & Cook: Consideration and Possible Action Regarding GASB 68 Engagement Letters

Cox noted two engagement letters are needed to comply with GASB 68. Fiscal year end 2017 will be the fourth year since implementation of the pronouncement. The scope of work for the DB member cities whose financial statements are prepared on the accrual basis are as follows:

- ♦ Opine on each DB member city column in the Schedule of Changes in Fiduciary Net Pension
- ♦ Conduct examination of census data and management's assertions related to such data

Cox reported that the service fee for the Schedule of Changes in Fiduciary Net Pension by DB member cities increased \$500 to a total of \$19,000. The examination of census data and management's assertions increased \$300 to a total of \$11,300.

Motion made by Lage, seconded by Tinker, to approve the two related GASB 68 Engagement Letters with Finley and Cook for fiscal year end of 2017.

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

NAY: None

10. Discussion and Possible Action on Resolution 2017-2 Commending Bertha Ann Young for Service

Doolen read Resolution 2017-2 acknowledging Bertha Ann Young's thirty-nine years of service; enhancements and growth to the system that have happened over her tenure; and the naming of the Board Room "The BAY" in her honor.

Motion made by Lockett, seconded by Johnston, to approve Resolution 2017-2 of commendation for Bertha Ann Young.

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

NAY: None

11. Consideration and Possible Approval of Chair's Appointment of Tamera Johnson to fill District 4 and to Serve on the Administrative Committee

Doolen brought forth a recommendation for the appointment of a District 4 Trustee due to resignation of Bertha Ann Young. The Chair recommended Tamera Johnson, City of Shawnee, Human Resources Director to fill the District 4 position and to serve on the Administrative Committee.

Motion made by Doolen, seconded by Park, to approve appointment of Tamera Johnson to the District 4 position.

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

NAY: None

12. Receive Report on Newly Adopted or Amended OkMRF Member Plans

Whatley reported on the plan changes for the OkMRF members.

Chairman Doolen commended Cox and Whatley, Voya and ACG for the dedicated effort of designing the new plan and welcomed City of Lawton as a new Member.

13. OkMRF Staff Report

Cox and Whatley reported on the following items:

Due diligence trip for three service providers conducted in April: Pioneer, SSgA and Voya.

- Whatley provided individual summaries of each provider visited.
- Pioneer visit: Portfolio manager inquired of ACG about the upcoming rebalancing recommendations scheduled for July 2017.
- SSgA visit: Large firm and dollar volume currently holds 37% of OkMRF's assets.
- Voya visit: Impressed by how Voya valued OkMRF partnership; high level management met with group; illustrated website tools were underutilized by membership; very diverse work group; OkMRF banner in common area of cafeteria impressive; Customer Service Representatives Q&A and tour; and refreshed by Voya's frank discussion of the system outage that happened in during the week of February 6th.
- Due to various travel related issues, Parks composed a poem/song and it was performed for all in attendance.

Cox reported on the following items:

- Administrative Committee meeting next month to review the proposed budget for FY 17-18.
- GASB 68 audit field work is finished with no exceptions. Finley and Cook will present reports at May's meeting.
- Explained the two versions of the DB Ownership by Plan reports, running parallel between Northern Trust and Dean Actuaries.
- Attended quarterly coalition meeting of directors. OML expecting to announce new director by July 1, 2017.
- OMAG is celebrating their 40th year anniversary at the Renaissance Oklahoma City Convention Center Hotel by Marriott.
- District 3 and 8 Trustee positions are up for election this fall.
- Lage will not be seeking reelection for District 8.
- Oklahoma SB242 is at state legislature seeking the addition of the State Treasurer to the OPERS and Teachers pension boards.
- Provided update on office space properties to lease and/or ownership of a property. Three potential sites were visited for lease consideration and RFP expected to be issued within two weeks. Ownership of property at this time seems prohibitive due to a minimum cash outlay of \$200,000 and would require additional expenses, at a minimum additional rate of \$7.25/square foot for upkeep and maintenance.

14. New Business

None.

15. Trustee/Member Comments

Tamera Johnson said she was honored to be considered and appointed to serve out the vacancy of District 4. Cox added that City of Shawnee has both DB and DC plans and Tamera has vast knowledge of both plan types. She will be an asset to the Board with a Human Resource tilt.

16. Adjourn

With no further business to conduct meeting adjourned.




Robert Park, Secretary



Donna Doolen, Chair

Respectfully submitted by:



Rhnea Stewart