

MINUTES
BOARD OF TRUSTEES
OKLAHOMA MUNICIPAL RETIREMENT FUND
June 30, 2017

1. Call To Order

The Board of the Oklahoma Municipal Retirement Fund met at the Oklahoma Municipal Retirement Fund, Oklahoma City, Oklahoma, on June 30, 2017, at 10:09 a.m. with Vice-Chair Johnston presiding. On roll call, the following members were present:

BOARD OF TRUSTEES

Secretary: Robert Park, Retiree, City of Sallisaw
Vice-Chair: Robert Johnston, City Manager, City of Frederick
Treasurer: Leroy Lage, Retiree, City of Watonga
Members: Jim Lockett, Jr., Retiree, City of Thomas
Tamera Johnson, City of Shawnee
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

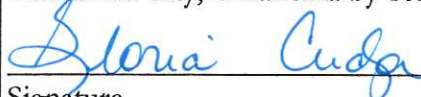
OkMRF Attorney: David Davis

Others: Haley Rives, ACG
Kevin Moore, ACG
Andrea Leistra, Integrity
Mike Wayton, Integrity
David Settles, SSgA
Deltra Hayes, Voya

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

Johnston welcomed everyone and called the meeting to order.

NOTICE: The agenda for the June 30, 2017, meeting was posted in the Central Park Tower, Oklahoma City, Oklahoma by 10:00 a.m. on June 29, 2017, by Gloria Cudjoe.



Signature

2. Approval of Consent Agenda

The following items were presented under the consent agenda.

A. Minutes of May 25, 2017 Meeting(s)

B. Monthly Valuation of Fund Assets by Custodian

| Option | Value By Fund |
|---------------------------------|-------------------------|
| Defined Benefit | \$538,555,382.86 |
| International Investment Equity | 8,352,763.18 |
| Aggressive Equity | 19,318,854.82 |
| Real Assets Fund | 312,516.76 |
| Global Equity | 3,662,990.67 |
| Growth and Value Equity | 19,693,112.96 |
| S & P 500 Index | 22,650,498.90 |
| Target Retirement 2060 | 870,454.82 |
| Target Retirement 2055 | 2,507,051.56 |
| Target Retirement 2050 | 4,782,204.09 |
| Target Retirement 2045 | 7,308,705.79 |
| Target Retirement 2040 | 10,338,229.34 |
| Target Retirement 2035 | 14,806,924.67 |
| Target Retirement 2030 | 19,671,609.72 |
| Target Retirement 2025 | 31,302,470.92 |
| Target Retirement 2020 | 32,286,464.51 |
| Target Retirement Income | 22,849,157.69 |
| Total Yield Bond Fund | 6,263,632.86 |
| Bond Index | 10,056,804.88 |
| Voya Fixed Plus III | 35,124,811.76 |
| Loan Portfolio | 7,922,982.45 |
| Self Directed Brokerage | 124,725.49 |
| Total Assets | \$818,762,350.70 |

C. Purchases and Sales of Assets

D. Administrative Expenses and Fees

Expenses and Fees for June

| | |
|---------------------------|------------------|
| Actuary & Recordkeeping | \$36,135 |
| Administration | 79,801 |
| Attorney | 3,950 |
| Audit | 6,500 |
| Board Travel | 7,055 |
| Employer Directed Expense | 0 |
| Insurance | 0 |
| Investment Advisors | 15,105 |
| Custodial | 9,956 |
| Investment Consultant | 29,203 |
| Public Relations | 3,981 |
| Representative Travel | <u>2,041</u> |
| EXPENSES | <u>\$193,727</u> |

E. Benefit Payments and Contribution Refunds

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

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

NAY: None

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

No action taken.

4. Comments from Public

Deltra Hayes, Voya, was asked to introduce herself for the benefit of the new trustees. Hayes and the Voya team will be presenting their annual update in August for custody/recordkeeping services, the fixed plus income fund and future enhancements.

5. Integrity: Annual Update from Investment Managers – Andrea Leistra and Mike Wayton

Introductions and a briefing by Leistra, account service manager. Wayton, as the portfolio manager, provided an update on portfolio status, indicating that 2016 was the worst year that Integrity had experienced by being flat to the recently revised benchmark. Contributing factors were the underweight to bond proxies, utilities and cash balances; as well as, sector underweights to financials and REIT's and overweight in industrials.

Investing philosophy is based on stock selection being the right company, at the right time and for the right price. Portfolio will be within $\pm 10\%$ of index on sectors, will have around 125 holdings with a goal to be stable and provide value.

6. **SSgA: Annual Update from Investment Managers – David Settles**

Settles reported that SSgA has a total of \$304.6 million under management for the fund. Trustees and Staff thanked SSgA for a successful and informative due diligence trip in April. A review was made of the theory of how passively managed target date funds are constructed, indicating that SSgA is different than competitors due to more diversification in the fixed income sector, utilizing eight diversified fixed income indexes (which includes inflation related indexes) in comparison to an average of 2 to 4 by other providers. One of SSgA's future goals is the study and development of a passive index product to address life-long income funds as employees are working and living longer.

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

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

Rives provided a review of the ASAP reports to follow up after earlier informal training and review of the quarterly report with newest trustees. Rives provided an overview with comments made on selected managers who were not meeting their related benchmark. ACG spends a lot of resources on evaluating why a manager underperforms, consistency of their process, personnel changes, change of investment philosophy, and the up and down side capture of the market. OkMRF and ACG have recently spent the most effort on the diversification of the fixed income allocation from passive investing in bonds.

She commented that the concept of "white labeling" fund options for DC participants is becoming a public fund trend in the industry; whereas, OkMRF has been doing this for quite a while.

B. **ACG: Consideration and Possible Action to Initiate a Full Liquidation of Series CX Hoplite Partners, LP through Conway Alternatives Platform as of September 30, 2017**

Moore provided information to support the recommendation for a full liquidation of the Hoplite series within the long/short allocation. ACG is constantly reviewing and analyzing long/short managers. ACG notes that Hoplite has had personnel turnover, performance continues to weaken, short book position is dragging performance and flows out of the strategy are beginning.

Motion made by Lockett, seconded by Tinker, to accept ACG's recommendation for staff to initiate and provide necessary notice requesting a full liquidation of Series CX Hoplite Partners, LP through Conway Investment Research Alternative Platform as of September 30, 2017, in accordance with provisions within the alternative platform agreement.

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

NAY: None

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

Moore reviewed the overall rebalancing and BlackRock Strategic Income Opportunities funding plan within the fixed income allocation. The market run up and gains within the

U.S. large cap and real estate allocations, along with liquidations from the existing fixed income managers achieves the funding for new manager and the total rebalancing plan.

Motion made by Rooney, seconded by Tinker, to accept ACG's recommendation for staff to implement the funding of BlackRock as a new manager within the fixed income allocation and the overall plan for rebalancing the total DB portfolio with completion by December 2017.

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

NAY: None

8. **Consideration and Possible Action Regarding Administrative Committee Report**

A. **Consideration and Possible Approval of Revised 2016-2017 OkMRF Budget**

Cox reviewed and summarized the need for a revised budget for closing of the books for FY 16-17. The overall total expenses were under budget by \$19,572. However, three line items need to be amended due to actual expenses being higher than anticipated. Actuary and recordkeeping, increase of \$1,158, due to increased recordkeeping fees due to later than anticipated termination of plan; employer directed expenses, increase of \$2,583 on flow through actuary and legal expenses directly related to impacted member cities; and investment advisors, increase of \$66,080, due to a money manager's method of paying fees changed because of unanticipated custodial change.

Motion made by Rooney, seconded by Lockett, to authorize and approve revisions to FY 2016-2017 OkMRF budget.

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

NAY: None

9. **Consideration and Possible Action Regarding Contract Committee Report**

No action taken.

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

Whatley reported on the plan changes for the OkMRF members.

11. **OkMRF Staff Report**

Whatley reported on the following items:

- Reported on Saxena White notification of class action litigation against Intra-Cellular Therapies, Inc.
- Commented on the outsourcing of core governmental services that recently occurred in one of OkMRF's Members.

Cox reported on the following items:

- Provided revised DC Ownership Schedule (pink sheets) as of May 31, 2017.
- Provided update on office relocation process, three responses received and evaluated, follow up inquiries made and detailed floor plans are in progress. Anticipate having a new lease agreement at the next meeting.
- Presented sample of a new design for coasters.

- Discussed the recent attendance of board members at CAPP's training. They were applauded for undertaking this certification program.
- District 3 and District 8 have upcoming elections, nominations due by end of day. As of meeting time, one nomination has been received for District 3 for Donna Doolen and one received for District 8 for Joe Don Dunham, City Manager, City of Alva. Official results will be tallied at 5:00 CST today.
- Staff will be attending the CMAO Summer Conference, July 12th - 14th at Glenpool.
- Staff will be attending Mayors Council of Oklahoma's Summer Conference, July 20th at Idabel.
- OML Annual Conference is scheduled for September 12th - 14th in Tulsa. Staff is involved in the Exhibit Hall activities. Fund raiser project will be for the benefit of the Community Food Bank of Eastern Oklahoma. The details of the fund raiser and a tentative schedule was provided. T-shirt order form was circulated for sign up and worn at conference.
- The Coalition group plans to meet with newly appointed OML Executive Director to have discussions concerning the implications and future potential effects related to outsourcing of core governmental sources.

Other items:

- Davis mentioned Stephen Reel's retirement from OMAG.
- Davis had recently reviewed the new laws passed by the Oklahoma State Legislature, noting nothing beneficial for municipalities. Concern expressed about lack of legislative activity to benefit and/or protect cities and towns.
- Rooney commented that cities and towns do not have enough presence and representation during the legislative session. The OML Legislative committee members have full time and demanding jobs and do not have the opportunity to meet with legislators in person and be present at the capitol.

12. New Business

None.

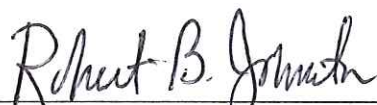
13. Trustee/Member Comments

14. Adjourn

With no further business to conduct meeting adjourned.

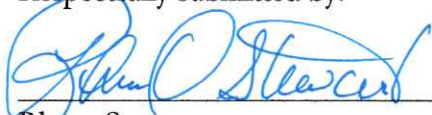


Robert Park, Secretary



Robert Johnston, Vice-Chair

Respectfully submitted by:



Rhnea Stewart