

MINUTES
**SPECIAL MEETING OF THE BOARD OF TRUSTEES OF THE OKLAHOMA
MUNICIPAL RETIREMENT FUND AND THE INVESTMENT COMMITTEE OF
OKLAHOMA MUNICIPAL RETIREMENT FUND**
February 24, 2017

1. Call To Order

The Investment Committee of the Oklahoma Municipal Retirement Fund met at Oklahoma Municipal Retirement Fund Offices, Oklahoma City, Oklahoma on February 24, 2017, at 9:06 a.m. with Investment Chair Lockett, Jr. presiding. On roll call the following members were present.

BOARD OF TRUSTEES PRESENT

Investment Committee: Jim Lockett, Jr., Retiree, City of Thomas (*arrived at 9:08 a.m.*)
 Robert Park, Retiree, City of Sallisaw
 Ed Tinker, Retiree, City of Glenpool

Chair: Donna Doolen, Finance Director, City of Ada

OTHERS PRESENT:

OkMRF Staff: Chris Whatley, Plan Advisor and Portfolio Strategist
 Katie Girardi, Plan Advisor

Others: Haley Rives, Asset Consulting Group
 Kevin Moore, Asset Consulting Group

NOTICE: The agenda for the February 24, 2017, meeting was posted in the Central Park Tower I, first floor by 9:00 a.m. on February 22, 2017, by Gloria Cudjoe.



Signatures

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

2. Discuss and Develop a Recommendation for Board Action to Add Liquid Absolute Return to the Fixed Income Component of the DB Portfolio and DC Plan Investment

Moore reviewed the construction of the current fixed income portfolio within the DB and the DC Plans as 50% US Core Bonds and 50% Multi-Sector Bonds. The proposed Liquid Absolute Return Strategy would be complimentary to our current fixed income portfolio and would be funded from a 25% repositioning of the Multi-Sector (Pioneer) allocation.

Moore continued with an in-depth explanation of the Liquid Absolute Return diversification benefits. While opportunistic and multi-sector strategies allow for some diversification, Liquid Absolute Return allows for a 'go-anywhere' strategy. Managers would have the ability to employ their strategies using short selling, futures, derivatives, and unconventional techniques to produce uncorrelated positive returns through a full market cycle. The strategy would not be evaluated based on a benchmark, as performance is determined on a stand-alone investment basis in all market environments.

Whatley summarized the ability to control the volatility vs. the 'go-anywhere' strategy that allows a manager's technique to invest based on current market conditions. While the nature of the investment seems to be wide-open, that ability allows the manager to invest in multiple types of strategies in a rising rate environment. Moore agreed with the explanation stating it was a controlled risk opportunity.

Luckett questioned the number of managers OkMRF would use to implement the strategy. Moore suggested staying with one manager. The minimum investment is generally a buy-in of \$1 million. Luckett questioned the fees compared to JPM and Pioneer's fixed income component. Moore responded that due to a higher expected return, the fees would be slightly higher. The fees will be reviewed during the interview process with the three (3) candidates at the next investment committee meeting.

Motion made by Tinker, seconded by Park to recommend to the OkMRF Board of Trustees to implement the Liquid Absolute Return Strategy into both DB and DC plans at a 25% allocation to compliment the fixed income strategy with proceeds from the Multi-Sector Fixed Income of the portfolio as a funding source.

Luckett: Yes

Park: Yes

Tinker: Yes

3. Conduct Semi-Annual Investment Performance Review and Receive Quarterly Performance Report for December 31, 2016, as Presented by Asset Consulting Group

Rives began with an overview of the DB quarterly performance reports. She commented on the 10-year portfolio return being below the target benchmark of 7.50% due to 2008, which will fall off the 10-year return after 2017. All other objectives of the DB portfolio were met for the past 5 and 10 year returns.

Rives noted that our DB portfolio is gaining a bigger return while taking on moderately lower risk than the rest of the broad market.

Park questioned if we should be taking on more risk in the portfolio by introducing investment in private equity. With more companies staying in the private sector, Park concluded that we could be missing out on those returns. Whatley expressed his illiquidity concerns with the private equity market, should a large city request their funds out of the system. Rives followed up stating that if the investment were more liquid, it would defeat the purpose of the private equity holding. Also, if the Trump administration allows for less regulation in the market, more private companies will go public. She stated that other ACG clients have benefited from adding it to their portfolio, but they do not have any other clients made up of different Member organizations. In order to invest in a private equity option an allocation of approximately 5% or \$25 million would be required.

Rives continued into the target allocations of the DB plan. She noted that our portfolio outperformed each policy index in 3, 5, and 10 year increments. Our larger allocation towards domestic stocks during 2016 benefited the overall portfolio, as many active managers had a challenging year determining appropriate allocations. Rives closed the DB update with summarizing active managers struggle to outperform the index in each asset class, yet stayed above the median of performers within each class.

Rives continued with the DC portfolio update. The performance of the DC portfolio has the same trends as the DB portfolio. Rives restated that managers invested in domestic equities reported a larger return, especially within the last quarter. The same struggle for active managers appeared in the DC portfolio, especially the Growth and Value funds. Growth and Value managers reported an underperformance of almost 2.0% of the benchmark, but again still landing them in the 40th percentile, above median.

The Committee received the report.

4. New Business

Whatley presented the private equity option be revisited at an upcoming investment committee meeting.

Motion made by Tinker, seconded by Lockett to add discussion of private equity investment to a future agenda.

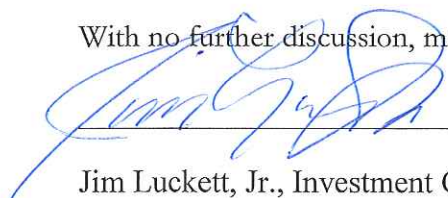
Lockett: Yes

Park: Yes

Tinker: Yes

5. Adjourn

With no further discussion, meeting adjourned at 10:05 a.m.




Jim Lockett, Jr., Investment Chair



Donna Doolen, Chair

Respectfully submitted by:



Katie Girardi