

MINUTES
BOARD OF TRUSTEES
OKLAHOMA MUNICIPAL RETIREMENT FUND
April 27, 2018

1. Call To Order

The Board of the Oklahoma Municipal Retirement Fund met at the Oklahoma Municipal Retirement Fund Offices, Oklahoma City, Oklahoma, on April 27, 2018, 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: Robert Park, Retiree, City of Sallisaw
Treasurer: Jim Luckett, Jr., Retiree, City of Thomas
Members: Joe Don Dunham, City Manager, City of Alva
Tamera Johnson, HR Director, City of Shawnee
Melissa Reames, Chief Financial Officer, City of Stillwater
Tim Rooney, City Manager, City of Mustang (*arrived at 10:09 a.m., departed at 11:41 a.m.*)
Ed Tinker, Retiree, City of Glenpool

OTHERS PRESENT:

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

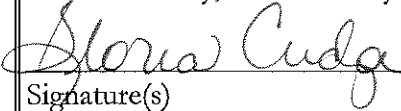
OkMRF Attorney: David Davis

Others: Kevin Moore, ACG
Sean Sullivan, Dean Actuaries
Kristin Burke, Harding Loevner
Stefanie Leverette, Saxena White (*via telephone*)
Joseph E. White II, Saxena White (*via telephone*)

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

Doolen welcomed everyone and called the meeting to order.

NOTICE: The agenda for the April 27, 2018, meeting was posted in Columbus Square, Oklahoma City, Oklahoma by 10:00 a.m. on April 26, 2018, by Gloria Cudjoe


Signature(s)

2. Approval of Consent Agenda

The following items were presented under the consent agenda.

A. Minutes of March 29, 2018 Meeting(s)

B. Monthly Valuation of Fund Assets by Custodian

Option	Value By Fund
Defined Benefit	\$ 570,512,461.13
International Investment Equity	9,338,342.32
Aggressive Equity	19,668,741.52
Real Assets Fund	339,599.28
Global Equity	5,961,075.10
Growth and Value Equity	19,723,514.09
S & P 500 Index	25,292,294.88
Target Retirement 2060	1,205,906.10
Target Retirement 2055	3,124,538.40
Target Retirement 2050	5,689,920.58
Target Retirement 2045	8,536,048.09
Target Retirement 2040	12,066,204.47
Target Retirement 2035	17,039,001.82
Target Retirement 2030	20,836,438.32
Target Retirement 2025	34,453,319.16
Target Retirement 2020	31,905,264.90
Target Retirement Income	22,369,877.10
Total Yield Bond Fund	5,568,679.63
Bond Index	11,073,075.72
Voya Fixed Plus III	36,848,361.18
Loan Portfolio	7,899,819.55
Self Directed Brokerage	122,231.72
Total Assets	\$ 869,583,715.06

C. Purchases and Sales of Assets

D. Administrative Expenses and Fees

Expenses and Fees for April

Actuary & Recordkeeping	\$38,533
Administration	84,835
Attorney	3,950
Audit	0
Board Travel	6,849
Employer Directed Expense	0
Insurance	0
Investment Advisors	141,288
Custodial	11,400
Investment Consultant	0
Public Relations	0
Representative Travel	4,054
EXPENSES	<u>\$290,909</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, Dunham, Johnson, Johnston,
Luckett, Park, Reames, and Tinker

NAY: None

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

No action taken.

4. Comments from Public

Doolen welcomed the guests from Harding Loevner, Dean Actuaries and ACG.

5. Harding Loevner: Annual Update from Investment Managers – Kristin Burke

Burke provided an update on the firm reporting no organizational or structural changes. The Emerging Market fund is closed as capacity was reached at year end 2017, but existing clients will be eligible to invest. At this time, the International Fund is still accepting new client and existing client inflows, but may reach capacity by year end. Burke credited the outstanding Emerging Market performance with outperformance from China tech markets in 2017 stating that 4/5 of performance came from five individual Asia stocks held in the fund. The

International Fund outperformed the MSCI ACWI by 320 basis points due to emerging market, financial, and tech exposure. Portfolio outlooks for the next 3-5 years seem favorable due to continuing low interest rates and opportunities for growth based on low pricing. Moore questioned overlap between Emerging Market and International Fund. Burke stated that while overlap does occur within the Funds, no more than 20% of stocks held within Emerging Market will be held in the International Fund at one time.

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

A. ACG: Review of Monthly ASAP Reports

Moore discussed volatility during first quarter 2018 citing inflation and global trade fears causing investor uncertainty and underperformance. Active managers provided diversification needed for down-side protection moving the portfolio's standard deviation down and directing its risk/return target towards optimal. Moore noted greater performance in Non-US equities due to strong returns from emerging markets. Fixed Income struggled due to rising interest rates causing headwinds when striving for higher quality bonds. Black Rock's absolute liquid return strategy proved beneficial providing positive returns in a down Fixed Income market. Real Estate performed routinely in a rising interest rate market. Target Date Funds performed in accordance with their allocation exposure to each sector. Moore reported the first tranche of the Conway Alternatives platform to K-2 platform transition had been completed in the Long/Short portfolio. Girardi noted that 5/1/18 subscription date confirmations from K-2 had been received and upcoming inflows were being processed.

B. ACG: Consideration and Possible Action to Retain Redemption Proceeds of White Elm from Conway Alternatives Platform and not Reinvest on K-2 Platform

Cox addressed ACG's research concerning White Elm's turnover discussed at the February board meeting. Moore stated ACG conducted an onsite visit to White Elm and felt that due to too many moving parts that reinvestment on K-2 platform after redemption from Conway platform was not advisable.

Motion made by Lockett, seconded by Tinker to retain and not reinvest redemption proceeds of White Elm from Conway Alternatives platform.

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

NAY: None

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

Cox proposed that using the majority of proceeds from 5/1/18 redemption of White Elm from Conway Alternatives Platform be used to fund Defined Benefit pension checks for the third quarter of 2018.

Motion made by Lockett, seconded by Tinker to approve reallocation/rebalancing of assets as outlined in ACG Exhibit below.

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

NAY: None

OMRF Defined Benefit Plan - Portfolio Balances as of 4/16/18

	Market Value	% of Total Fund	Target %	Target Value	\$ Value Over/Under Target	% Over/Under Target	Total Rebalancing Action	Rebalanced Value	Rebalanced Mix
INTECH	\$30,553,616	5.3%	5.0%	\$28,577,432	\$1,976,183.58	0.3%		\$30,553,616	5.3%
SSgA S&P 500 (as of 3/31/18)	\$110,958,899	19.4%	20.0%	\$114,309,729	-\$3,350,830.09	-0.6%		\$110,958,899	19.4%
SSgA Cash	\$11,539	0.0%	0.0%	\$0	\$11,539.26	0.0%		\$11,539	0.0%
Large Cap Equity Total	\$141,524,054	24.8%	25.0%	\$142,887,161	-\$1,363,107.25	-0.2%	\$0	\$141,524,054	24.8%
River Road	\$29,422,954	5.1%	5.0%	\$28,577,432	\$845,521.85	0.1%		\$29,422,954	5.1%
TimesSquare	\$29,561,323	5.2%	5.0%	\$28,577,432	\$983,891.17	0.2%		\$29,561,323	5.2%
Small Cap Equity Total	\$58,984,277	10.3%	10.0%	\$57,154,864	\$1,829,413.02	0.3%	\$0	\$58,984,277	10.3%
Artisan	\$28,016,789	4.9%	5.0%	\$28,577,432	-\$560,643.49	-0.1%		\$28,016,789	4.9%
WCMF (as of 3/31/18)	\$31,794,784	5.6%	5.0%	\$28,577,432	\$3,217,351.67	0.6%		\$31,794,784	5.6%
Investec (as of 3/31/18)	\$31,025,343	5.3%	5.0%	\$28,577,432	\$2,447,910.78	0.4%		\$31,025,343	5.4%
Harcourt Loewner (as of 3/31/18)	\$31,442,949	5.5%	5.0%	\$28,577,432	\$2,865,516.77	0.5%		\$31,442,949	5.5%
International Cash	\$11,458	0.0%	0.0%	\$0	\$11,457.85	0.0%		\$11,458	0.0%
International Equity Total	\$122,291,322	21.4%	20.0%	\$114,309,729	\$7,981,593.59	1.4%	\$0	\$122,291,322	21.4%
Southpoint ¹	\$5,482,293	1.0%					\$500,000	\$5,982,293	1.0%
Treasury ²	\$5,627,010	1.0%						\$5,627,010	1.0%
Starboard ³	\$4,245,238	0.7%						\$4,245,238	0.7%
Kingdon ⁴	\$5,820,579	1.0%					(\$5,860,437)	\$5,820,579	1.0%
White Elm ⁴	\$6,168,881	1.1%						\$398,444	0.1%
Jet Capital ¹	\$3,960,470	0.7%						\$3,960,470	0.7%
AKO	\$5,794,775	1.0%						\$5,794,775	1.0%
Cevian	\$4,711,547	0.8%						\$4,711,547	0.8%
Trian	\$4,731,867	0.8%						\$4,731,867	0.8%
Suretta	\$0	0.0%					\$5,000,000	\$5,000,000	0.9%
Direct Equity Long/Short Cash	\$5,207,714	0.9%					(\$2,639,563)	\$2,568,151	0.4%
Long/Short Equity Total	\$51,750,374	9.1%	10.0%	\$57,154,864	-\$5,404,490.60	-0.9%	(\$3,000,000)	\$48,750,374	8.5%
Total Equity	\$374,550,027	65.5%	65.0%	\$371,506,618	\$3,043,408.77	0.5%	(\$3,000,000)	\$371,550,027	65.0%
JPM Strategic Property (as of 3/31/18)	\$17,628,131	3.1%	3.0%	\$17,146,459	\$481,671.94	0.1%		\$17,628,131	3.1%
JPM Special Situations (as of 3/31/18)	\$11,592,020	2.0%	2.0%	\$11,430,973	\$161,046.66	0.0%		\$11,592,020	2.0%
JPM RE Cash	\$65,914	0.0%	0.0%	\$0	\$65,913.54	0.0%		\$65,914	0.0%
Total Real Estate	\$29,286,064	5.1%	5.0%	\$28,577,432	\$708,632.14	0.1%	\$0	\$29,286,064	5.1%
JP Morgan Core Fund	\$79,590,505	13.9%	15.0%	\$85,732,297	-\$6,141,791.12	-1.1%		\$79,590,505	13.9%
BlackRock Strategic Income Opportunities	\$44,405,891	7.8%	7.5%	\$42,866,148	\$1,539,743.08	0.3%		\$44,405,891	7.8%
Pioneer (as of 03/31/18)	\$40,983,988	7.2%	7.5%	\$42,866,148	-\$1,882,160.39	-0.3%		\$40,983,988	7.2%
Fixed Income Cash	\$6,462	0.0%	0.0%	\$0	\$6,462.49	0.0%		\$6,462	0.0%
Total Fixed Income	\$164,986,847	28.9%	30.0%	\$171,464,593	-\$6,477,745.94	-1.1%	\$0	\$164,986,847	28.9%
Cash (Misc. Assets) ⁵	\$2,725,705	0.5%	0.0%	\$0	\$2,725,705.03	0.5%	\$3,000,000	\$5,725,705	1.0%
Total Fixed Income (incl. cash)	\$167,712,552	29.3%	30.0%	\$171,464,593	-\$3,752,040.91	-0.7%	\$3,000,000	\$170,712,552	29.9%
Total Portfolio	\$571,548,643	100.00%	100.00%	\$571,548,643	\$0.00	0.0%	\$0	\$571,548,643	100%

¹ All proceeds will be re-invested as part of the first tranche of the hedge fund transition.

² All eligible proceeds will be re-invested as part of the first tranche of the hedge fund transition; subject to 5% holdback.

³ All eligible proceeds will be re-invested as part of the first tranche of the hedge fund transition; subject to 10% holdback.

⁴ White Elm will have a 5% holdback. We recommend utilizing \$3mm of these proceeds for future benefit payouts. The remaining proceeds will be used as part of the hedge fund transition.

⁵ Market value includes Misc. Cash, DB Dep/Dist Cash and Administrative accounts.

7. Consideration and Possible Action Regarding Administrative Committee Report

A. Consideration and Possible Action Regarding Executive Director Review

Johnston, Administrative Committee Chair, reported that the committee had received an annual update from Cox related to goals and objectives of the Executive Director. Cox commented on three of the biggest accomplishments of 17-18; hosting a successful Public Funds conference, relocating staff to new office space and completing the Defined Benefit IRS qualifying letter.

Motion made by Johnston, seconded by Rooney, to accept the Executive Director/CEO review of 17-18 goals and objectives.

Motion carried:

AYE: Doolen, Dunham, Johnson, Johnston, Lockett, Park, Reames, Rooney, and Tinker

NAY: None

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

No action taken.

9. **Dean Actuaries, LLC: Consideration and Possible Acceptance of the Summary of GASB Accounting Results June 30, 2018 – Sean Sullivan**

Sullivan presented an overview of GASB 68 and the results of the 2018 GASB 68 Accounting results. Sullivan gave a review of main differences between funding valuation and accounting valuation terms, how the general rule of the discount rate is applied to the funding policy and discussed aggregate OkMRF results with a selected city example report. Sullivan commented on the reduction of the long term expected return from 7.75% to 7.5%.

Motion made by Luckett, seconded by Park, to accept the Summary of Accounting Results, as prepared by Dean Actuaries, LLC.

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

NAY: None

10. **Consideration and Possible Approval of the Revised and Restated Defined Benefit Master Plan and Joinder Agreement with Related Adoption of Resolution 2018-2 thereto**

Cox reported on the approved IRS Determination Letter stating cleanup and clarification of verbiage were the main revisions. The Forfeiture of Benefit clause was removed from the volume submitter document. Doolen questioned if a city/town can file individually to include Forfeiture of Benefit clause. Cox responded that the IRS reviewer would not allow the clause in the volume submitter plan document, but if needed they could file an individualized case. Davis added that a city/town could file criminal charges and request embezzler to forfeit funds back to the city/town.

Motion made by Tinker, seconded by Luckett to accept the revised and restated defined benefit master plan and joinder agreement with related adoption of resolution 2018-2 thereto.

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

NAY: None

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

Whatley reported on a plan termination and a plan adoption

12. **OkMRF Staff Report**

Cox reported on the following items:

- The Trustee Retreat is scheduled for May 23rd in OkMRF Board room. Cox thanked ACG for help on agenda planning and Voya for providing our key note speaker.
- Administrative committee will meet at 9:00 a.m. on May 24th to review CEO's 18-19 goals and budget.
- District 1 election notices will be sent next week and are to be returned to OkMRF no later than June 30th.
- Electronic agenda survey needs to be completed by each trustee and returned to Cox.

13. New Business: Consideration and Possible Action to Apply for Lead Plaintiff Status in Class Action Lawsuit Against WageWorks (Note: This item was not known or anticipated until after the prescribed time for posting the agenda and a trustee vote will be required to consider this as new business)

Motion made by Luckett, seconded by Park to open and accept this action item for new business consideration.

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

NAY: None

White and Leverette, via conference call, provided an overview of the WageWorks and the securities fraud claim. The presented claim indicated OkMRF was an investor during the claim period of May 5, 2017 through March 1, 2018 purchased through TimesSquare. White cited the alleged weakness of internal controls, failure to manage and assess risk related to certain government contacts and improperly recognizing revenue thereby inflating its earnings resulted in financial statements that were materially false and misleading. White explained that OkMRF's lead plaintiff position was distinct due to the fact that OkMRF falls into the litigation group under Section 11, Strict Liability claim. White clarified that the majority of time required for lead plaintiff status would be minimal for OkMRF, but rather mainly document gathering from the money manager, TimesSquare.

Motion made by Luckett, seconded by Park to apply for lead plaintiff status in class action lawsuit against WageWorks, Inc.

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

NAY: None

14. Trustee/Member Comments

Luckett commented on his attendance of TEXPERS citing good speakers on cyber security

15. Adjourn

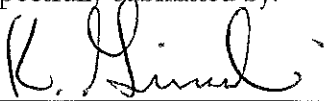
With no further business to conduct meeting adjourned.

The seal is circular with a double border. The outer border contains the text "OKLAHOMA MUNICIPAL RETIREMENT FUND" at the top and "OKLA." at the bottom. The inner border contains the text "OFFICIAL SEAL". In the center, there is a five-pointed star above the word "SEAL".

Robert Park, Secretary


Donna Doolen, Chair

Respectfully submitted by:


Katie Girardi