

**MINUTES**  
**A SPECIAL MEETING OF THE BOARD OF TRUSTEES OF THE**  
**OKLAHOMA MUNICIPAL RETIREMENT FUND**  
**May 23, 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 May 23, 2018, at 9:00 a.m. for Trustee Retreat. No action was taken, the retreat is purely educational and for discussion purposes only.

**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 Lockett, Jr., Retiree, City of Thomas  
Members: Joe Don Dunham, City Manager, City of Alva  
Tammy Johnson, HR Director, City of Shawnee  
Melissa Reames, Chief Financial Officer, City of Stillwater  
Timothy Rooney, City Manager, City of Mustang (*arrived at 10:00 a.m.*)  
Ed Tinker, Retiree, City of Glenpool

**OTHERS PRESENT:**

OkMRF Staff: Jodi Cox, Executive Director/CEO  
Chris Whatley, Plan Advisor & Portfolio Strategist

OkMRF Attorney: David Davis

Others: Jeff Cinimi, Voya                      Deltra Hayes, Voya  
          Haley Rives, ACG                     Kevin Moore, ACG  
          Mike Hotz, ACG                        John Papahronis, McAfee & Taft (*via conference call*)

**NOTICE:** The agenda for the May 23, 2018, Trustee Retreat meeting was posted in Columbus Square, at OkMRF, 1001 NW 63<sup>rd</sup> Street, Oklahoma City, Oklahoma, first floor by 9:00 a.m. on May 21, 2018, by Gloria Cudjoe.

  
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Signature

2. **Opening Comments**

Cox welcomed all Trustees and Staff to the 2018 Annual Trustee Retreat. She presented a visualization exercise focusing on the OkMRF past and future.

3. **Conference Call with McAfee & Taft on Loss of Benefits** *(Papahronis via conference call)*

Papahronis of McAfee & Taft joined the group via telephone conference call. Davis began the discussion with a history of the Loss of Benefits (a.k.a. "Bad Boy") clause located within the Defined Benefit (DB) plan document. Papahronis then explained that the IRS would not allow this provision to be a part of either of the volume submitter plans. He next explored the possibility of each member adding the provision as part of their plan. Papahronis stated municipalities could adopt the IRS volume submitter plan and subsequently add the "Bad Boy" clause but due to reduced IRS staffing, individualized plans would no longer be reviewed by the IRS and a Determination Letter would not be issued. He further stated that the lack of a Determination Letter does not mean the plan is not legally permitted, it just means it is outside of the norm. Davis stated that the OkMRF Board of Trustees have historically assured municipalities that they would receive a Determination Letter and there was a risk to the Fund if the Board caused something to happen where the letters were no longer issued.

Cox referred the Board to a handout: *2014 Oklahoma Statutes Title 11 citation 11-1-110 Municipal Employees – Forfeiture of retirement benefits* as possible guidance for OkMRF Members. Davis said he and Cox will continue exploring solutions. He advised Staff to prepare a communication to participating employers stating why the provision is no longer in the plan and detailing the Oklahoma State Statute which may be used in its place. Davis further stated a court can order restitution be paid from retirement proceeds. The biggest drawback is employees who terminate service could take a distribution in the interim period because employers cannot forfeit benefits until the employee is convicted. Davis stated he would help draft a letter to members to help them better understand the issue.

*(Papahronis left conversation at 9:45)*

4. **Trustee Ethics**

Cox presented a presentation on building an ethical organization; promoting competence, fairness, honesty, integrity, communication and recognizing/avoiding conflicts of interest, while highlighting steps OkMRF has already taken and discussed other possible steps for consideration. She followed the presentation by a survey of ethical questions potentially encountered by the OkMRF Trustees and Staff. Extensive discussion ensued.

*(Rooney arrived at 10:00 a.m.)*

A *Code of Conduct for Members of a Pension Scheme Governing Body* was distributed to illustrate the pension trustees' code of conduct as adopted by the CFA Institute.

5. **Break**

6. **Asset Allocation & Investment Basics**

Moore presented a review of asset allocation and investment basics as they are applied to the DB portfolio. The review included a thorough overview of intermediate and long-term return assumptions including risk and correlations for various asset classes. Moore also discussed the various stages of asset allocation beginning with broad asset class considerations through to the simulation of various models of asset allocation considering

different asset classes, styles and weightings. He covered ACG's philosophy, hallmarks and Investment Committee structure, in addition went into detail on ACG's metrics and evaluation process. Finally, a copy of an ASAP cheat sheet was provided to assist Trustees as they review monthly reports.

7. **Lunch/Keynote Speaker: Voya Cares and State of Voya**  
**Delivered by Jeff Cinimi, Voya Financial Senior Vice President of Retirement Product Management**

Hayes introduced Cinimi to the Board and Staff. Cinimi presented an overview of the Special Needs Community in the U.S. and a discussion of the efforts made by Voya to help with this group. He stated one in six U.S. workers assist with caregiving and detailed the mental, physical and fiscal impact on these caregivers. He highlighted the online resources available through Voya Cares.

Cinimi next discussed the efforts made by Voya in the area of Behavioral Finance and Financial Wellness. He highlighted the shifts and degrees of responsibility from grandparents to parents to the participants. Today's participants have a higher degree of demand and responsibility. Whatley stated he feels as an industry, we could do more to help participants with their de-cumulation strategy and Cinimi agreed. He then explained the participant guided education experience, coupled with various partnerships that Voya is entering into with outside vendors in an effort to potentially bring future resources to participants.

8. **ACG Market Outlook & Investment Themes**

Rives reviewed in detail various investment themes that may dominate the market environment in the next three to five years. She explained the rationale for each theme and an implementation strategy. Then, she covered the market outlook for each asset class from a tactical standpoint.

9. **Break**

10. **Private Markets Education and Application**

Hotz reviewed the characteristics of Private Equity (PE), Private Credit and Private Real Estate Markets.

Hotz discussed PE markets focusing on venture capital, leveraged buyouts, mezzanine equity and special situations. The stages of the business cycle and how they apply to the various private equity types were detailed along with a discussion of the return, risk and durations of the investments. He stated a PE portfolio would be constructed to commit capital using a ladder approach to making investments, however fees were being paid on the amount of committed capital and not as it is drawn down. He also highlighted the dispersion in performance between top tier PE managers versus bottom tier managers. In this asset class, investing with top tier managers is critical to success.

Hotz then reviewed Private Credit Markets and the differences between traditional fixed income and private credit strategies. He then delineated junior debt, senior debt and special situations characteristics. Returns, risk and durations of the investment were described in detail.

Hotz finally reviewed Private Real Estate Markets and the differences between the existing OkMRF Real Estate portfolio and opportunistic Real Estate. He highlighted the real estate

investment vehicle characteristics detailing advantages and disadvantages. Returns, risk and durations of the investment were described in detail recapping key considerations.

Hotz described PE as a return enhancer, Private Credit as a return enhancer relative to traditional fixed income and equity and Private Real Estate as a diversifier. Cox asked if it was possible for the Fund to invest in PE due to concerns regarding members joining or leaving the trust. Hotz stated ACG did have discussions with Northern Trust and that it was possible to have a PE investment. If a member left, they would be paid their proportional ownership of the DB Fund from the liquid asset classes and remaining members would have their ownership stakes reweighted to reflect a higher percentage of ownership. Whatley asked if ACG had a preference in the order of these potential investments being added to the DB portfolio. Rives stated order of priority would be PE, Private Real Estate and then Private Credit.

11. **Closing Remarks**

Rives and Cox reviewed the events of the day and made sure Trustees had directions for the evening activities.


12. **Adjourn**

Doolen adjourned at 4:23 p.m.

  
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Robert Park, Secretary

  
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Donna Doolen, Chair

Respectfully submitted by:

  
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Chris Whatley