

MINUTES
BOARD OF TRUSTEES
OKLAHOMA MUNICIPAL RETIREMENT FUND
July 31, 2020

1. Call To Order

The Board of the Oklahoma Municipal Retirement Fund, in accordance with Oklahoma Senate Bill 661 which temporarily amended the Open Meeting Act and as approved by Governor Stitt on March 18, 2020, hosted a virtual meeting to conduct business on July 31, 2020, 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 (*via telephone*)
Vice-Chair: Robert Johnston, City Manager, City of Frederick
Treasurer: Jim Lockett, Jr., Retiree, City of Thomas (*arrived at 10:05 a.m.*)
Secretary: Robert Park, Retiree, City of Sallisaw (*via telephone*)
Members: Tamera Johnson, Retiree, City of Shawnee (*via video: audio muted at roll call and first vote*)
Tim Rooney, City Manager, City of Mustang (*via video*)
Melissa Reames, Deputy City Manager & Chief Financial Officer, City of Stillwater (*via video*)
Ed Tinker, Retiree, City of Glenpool (*via telephone*)

OTHERS PRESENT:

OkMRF Staff: Jodi Cox, CEO & Director
Chris Whatley, Plan Advisor & Portfolio Strategist
Katie Girardi, Plan Administrator (*via video*)
Rhnea Stewart, Fund Accountant (*via telephone*)

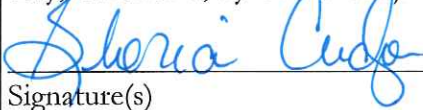
OkMRF Attorney: David Davis (*via telephone*)

Others: Larry Ostow, JPMorgan (*via telephone*)
Mike Edwards, JPMorgan (*via telephone*)
Sean Sullivan, Dean Actuaries (*via telephone*)
Haley Rives, ACG (*via telephone*)
Gar Chung, Financial Investment News (*via telephone*)

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

Doolen welcomed everyone and called the meeting to order.

NOTICE: The agenda for the July 31, 2020 meeting was posted in Columbus Square, Oklahoma City, Oklahoma, by Gloria Cudjoe by 10:00 a.m. on July 30, 2020.



Signature(s)

2. Approval of Consent Agenda

The following items were presented under the consent agenda.

A. Minutes of June 26, 2020 Meeting(s) and revised minutes of May 29, 2020

B. Monthly Valuation of Fund Assets & Unit Values by Custodian

Option	Value By Fund
Defined Benefit	\$ 608,703,661.02
International Investment Equity	\$ 7,642,956.72
Aggressive Equity	\$ 15,999,786.34
Real Assets Fund	\$ 286,484.45
ESG US Stock Fund	\$ 481,422.50
Global Equity	\$ 7,720,016.64
Growth and Value Equity	\$ 20,432,156.92
S & P 500 Index	\$ 29,621,016.62
Target Retirement 2065	\$ 9,153.64
Target Retirement 2060	\$ 3,231,564.08
Target Retirement 2055	\$ 4,785,406.40
Target Retirement 2050	\$ 8,271,193.00
Target Retirement 2045	\$ 11,258,625.13
Target Retirement 2040	\$ 15,234,930.50
Target Retirement 2035	\$ 20,569,555.53
Target Retirement 2030	\$ 25,709,634.63
Target Retirement 2025	\$ 37,999,976.83
Target Retirement 2020	\$ 29,443,544.04
Target Retirement Income	\$ 21,245,394.10
Total Yield Bond Fund	\$ 6,563,475.47
Bond Index	\$ 17,216,765.65
Voya Fixed Plus III	\$ 43,498,390.19
Loan Portfolio	\$ 8,174,925.22
Self Directed Brokerage	\$ 184,043.90
Total Assets	\$ 944,284,079.52

C. Purchases and Sales of Assets

D. Administrative Expenses and Fees

Expenses and Fees for July

Actuary & Recordkeeping	\$ 43,633.46
Administration	90,449.08
Attorney	9,088.00
Audit	0.00
Board Travel	410.55
Employer Directed Expense	530.00
Insurance	14,808.00
Investment Advisors	131,455.86
Custodial	10,322.32
Investment Consultant	0.00
Public Relations	0.00
Representative Travel	31.05
EXPENSES	<u>\$300,728.32</u>

E. Benefit Payments and Contribution Refunds

F. Ratification of Rate Addendum to Virtu Financial Commission Recapture Program Effective August 1, 2020

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

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

NAY: None

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

No action taken.

4. JPMorgan: Annual Update from Investment Manager – Larry Ostow and Mike Edwards

Edwards began presentation by thanking OkMRF for our long-standing relationship over the past 20 years. Ostow continued discussion of three (3) main factors JPMorgan has implemented over past years in the Strategic Property Fund (SPF) to outperform the ODCE benchmark by 60bps over the last full market cycle: selling over \$1 billion lower productivity retail space including four (4) malls, doubling industrial allocation over the past five (5) years and selling over \$7 billion in office space portfolio over the last four (4) years. While SPF recorded depreciation of 2.02% in

the second quarter of 2020, mainly attributed to depreciation from multi-family housing, their balance sheet remains strong with over \$823 million in cash and very little debt maturing in 2020. Ostow stressed JPMorgan could self-fund debt obligations should income streams be interrupted due to the continuing pandemic environment. SPF has seen an increase in redemptions in the first quarter of 2020 but anticipate for multiple requests to be rescinded as market recovery continues. Rent collections and occupancy levels for industrial, office and residential sectors remain strong while the retail sector continues to struggle despite the higher quality malls held in the portfolio.

Ostow continued with a brief overview of the Special Situation Property Fund (SSPF) mirroring many comments made on SPF. The open-end, value-add investment allows JPMorgan to de-risk the assets through development, redevelopment/repositioning, lease-up and recapitalization. This strategy has allowed SSPF to out-perform the ODCE benchmark between 260-380 bps over one (1), three (3) and five (5) year performance. Strong rent collections continued during pandemic markets for industrial, office and residential providing for a strong balance sheet and providing JPMorgan the ability to fund existing projects and provide investor liquidity.

5. Consideration and Possible Action Regarding Investment Committee Report

A. ACG: Review of Monthly ASAP Reports

Rives began discussion with a general overview of market conditions focusing on the disconnect between the economy and markets. Multiple unknowns, such as a potential second wave of coronavirus in the fall, unemployment supplement expiring at the end July and online schooling, are providing the stage for a possible reversal of the consumer spending uptick seen in June, directly impacting third quarter Gross Domestic Product (GDP) results. Even with these unknowns, markets have been up around 20% since the end of the first quarter of 2020, displaying a true disconnect. ACG remains cautious and considers equity markets to be ahead of themselves and valuations to be slightly rich.

Rives continued with a review of ASAP reports noting the DB's total portfolio return of 9.12% and a balance of \$610 million at the end of June. Asset allocations are within 1.15% of target and will be reviewed at next meeting. All asset classes, except Real Estate, were positive for the second quarter with the outperformer being U.S. Equities with 22.19%, net of fees. Rives commented on the huge dispersion between growth and value, as value normally will outperform during recession markets. Fixed Income saw a significant snapback from the first quarter reporting 1.46%, net of fees for the past month. The Long/Short allocation continued to provide protection while returning 15.81%, net of fees for the past quarter. Due to lagging performance reports, Real Estate exhibited a decline of 1.75% for the past quarter, expecting increased volatility for future quarters.

DC white label funds are performing in-line with DB asset classes. Growth and Value had strong performance in the second quarter, outperforming the benchmark by 2.43bps. Cash flow to the ESG option increased to \$480,000. Real Assets, due to the strong ties to equities, provided good performance for the past quarter. Possible higher cash flows into Real Assets in upcoming quarters due to inflationary concerns after federal stimulus. Retirement Date fund options are performing as expected.

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

No action taken.

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

No action taken.

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

Contract Committee Chair, Reames along with staff conducted annual review of insurance coverages and recommend the following three (3) renewals be approved.

A. **Discussion and Possible Action to Renew Liability Protection Plan with OMAG**

Reames reported renewal for liability protection with a premium decrease of \$34.

Motion made by Reames, seconded by Lockett to approve renewal liability protection plan with OMAG for period of August 1, 2020 through August 1, 2021.

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

NAY: None

B. **Discussion and Possible Action to Renew Business Personal Property Coverage with Hartford**

Reames reported renewal for personal property with a premium increase of \$58.

Motion made by Reames, seconded by Rooney to approve renewal of business personal property coverage with Hartford for the period of September 1, 2020 through September 1, 2021.

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

NAY: None

C. **Discussion and Possible Action to Renew Cyber Security Insurance with Lloyds/Beazley**

Reames reported renewal for cyber security insurance with a premium decrease of \$253.

Motion made by Reames, seconded by Rooney to approve renewal of cyber security insurance with Beazley, underwritten by Lloyds of London, for the period of August 26, 2020 through August 26, 2021.

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

NAY: None

8. **Dean Actuaries, LLC: Discussion and Possible Action on the Projected Impact of Asset Experience on OkMRF Funding Requirements**

Sullivan presented his report on the projected impact asset experience on the OkMRF funding requirements by plan as of June 30, 2020. Due to declining markets during the pandemic, the market value weighted return was 3.82% and the smoothed actuarial value return was 6.08%, for

the period ending. Market experience resulted in average cost increase of 0.22% and median change of 0.11% across all plans.

Motion made Rooney, seconded by Luckett to receive report from Dean Actuaries, LLC for the Projected Impact of Asset Experience on OkMRF Funding Requirements, effective for the year starting July 1, 2021.

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

NAY: None

9. **Dean Actuaries, LLC: Discussion and Possible Action Regarding Changes to Actuarial Assumptions and Methods**

Sullivan recommended no changes to actuarial assumptions or changes in methods from last year.

Motion made by Rooney, seconded by Luckett to receive report from Dean Actuaries, LLC for Projected Impact of Actuarial Assumptions and Method Changes for OkMRF Fund Requirements report, effective with the measurement date as of July 1, 2020.

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

NAY: None

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

Whatley reported on plan changes for the OkMRF members and those members who have adopted the Retiree Only Master Plan and Joinder.

11. **OkMRF Staff Report**

Cox reported on the following items:

- Next month, the Investment Committee will meet at 9:00 prior to the regular Board meeting to review quarterly reports and receive educational session on the long/short portfolio. Trustees are encouraged to attend as credit for educational session will count towards CPE. We will receive annual update from our two custodial banks/recordkeepers, Northern Trust and Voya.
- Trustee election ballots were mailed July 10th and votes will be accepted through August 30th. Status: District 2 incumbent Park is currently leading opponent LouAnn Moore, Checotah with two votes. District 7 incumbent Luckett has one vote over his opponent, Lisa Young, Weatherford.
- IRS DB legal plan filings were mailed yesterday, one day in advance of July 31, 2020 deadline. A true team effort this year, with Baser, Girardi and Cudjoc stepping up on the fund's behalf.
- Correction to statement at last month's meeting regarding the deadline of our restatement of the DB Master Plan and Joinder with the IRS for our next six (6) year filing cycle; the deadline was extended to July 31, 2021. Most of the in-depth review has been completed.
- CMAO Summer Conference is going virtual with Cox and Whatley to attend sessions August 19th through the 21st. More information can be provided upon request.
- HIIQ litigation case update: Both Cox and Saxena White have read the deposition transcript and proposed their errata sheet.

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Motion made Rooney, seconded by Lockett to receive report from Dean Actuaries, LLC for the Projected Impact of Asset Experience on OkMRF Funding Requirements, effective for the year starting July 1, 2021.

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

NAY: None

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Sullivan recommended no changes to actuarial assumptions or changes in methods from last year.

Motion made by Rooney, seconded by Lockett to receive report from Dean Actuaries, LLC for Projected Impact of Actuarial Assumptions and Method Changes for OkMRF Fund Requirements report, effective with the measurement date as of July 1, 2020.

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

NAY: None

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12. New Business

None.

13. Trustee/Member Comments

None.

14. Adjourn

With no further business to conduct meeting adjourned.

Joe S. Cox
Robert Park
On behalf of Robert Park



The seal is circular with a double-line border. The outer ring contains the text "OKLAHOMA MUNICIPAL RETIREMENT FUND" at the top and "OKLA." at the bottom, separated by a star. The center of the seal features the word "SEAL" in large, bold, capital letters.

Donna Doolen
Donna Doolen, Chair

Respectfully submitted by:
K. Girardi
Katie Girardi