

**MINUTES**  
**A SPECIAL MEETING OF THE BOARD OF TRUSTEES OF THE**  
**OKLAHOMA MUNICIPAL RETIREMENT FUND**  
**June 24, 2021**

**1. Call To Order**

The Board of the Oklahoma Municipal Retirement Fund met at the Oklahoma Municipal Retirement Fund, Oklahoma City, Oklahoma on June 24, 2021, at 9:02 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 ( <i>via video</i> )
Vice-Chair:	Robert Johnston, City Manager, City of Clinton ( <i>via video</i> )
Secretary:	Robert Park, Retiree, City of Sallisaw
Treasurer:	Jim Luckett, Jr., Retiree, City of Thomas
Members:	Joe Don Dunham, City Manager, City of Guymon ( <i>via video</i> )
	Tamera Johnson, Retiree, City of Shawnee
	Melissa Reames, Deputy City Manager & Chief Financial Officer, City of Stillwater
	Timothy Rooney, City Manager, City of Mustang
	Ed Tinker, Retiree, City of Glenpool

**OTHERS PRESENT:**

OkMRF Staff:	Jodi Cox, Executive Director/CEO
	Chris Whatley, Plan Advisor & Portfolio Strategist
	Rhnea Stewart, Fund Accountant ( <i>via telephone</i> )

OkMRF Attorney David Davis (*via video*)

Others:	Maya Saxena, Saxena White ( <i>via video</i> )
	Stefanie Leverette, Saxena White ( <i>via video</i> )
	Lauren Taylor Wolfe, Impactive Capital ( <i>via video</i> )
	Walter Lee, Impactive Capital ( <i>via video</i> )
	Deltra Hayes, Voya Financial ( <i>via video</i> )
	Heather Lavalley, Voya Financial ( <i>via video</i> )
	John Farley, Calvert ( <i>via video</i> )
	Lance Garrison, Calvert ( <i>via video</i> )
	Joe Nugent, ACG ( <i>via video</i> )
	Haley Rives, ACG ( <i>via video</i> )
	Kevin Moore, ACG ( <i>via video</i> )

**NOTICE:** The agenda for the June 24, 2021, Trustee Retreat meeting was posted at Oklahoma Municipal Retirement Fund, Oklahoma City, Oklahoma, first floor by 9:00 a.m. on June 22, 2021, by Gloria Cudjoe.

  
Signature

2. **9:00 a.m. - What does it take to be a Prudent Investor - David Davis**

Davis provided a refresher on the Prudent Investor Rule and the standard of care duties for a trustee. Various considerations were provided when making decisions concerning plan assets under the Prudent Investor Rule. Davis noted that one of the most important duties of a Trustee is make a reasonable effort to verify relevant facts related to the management and investment of trust assets. A Code of Conduct for Trustees was reviewed that would assist in the avoidance of conflict-of-interest events.

The differences in DB and DC plans were reviewed as to how the Prudent Investor Rule and related fiduciary responsibilities are different for participants and Trustee's dependent upon type of plan.

A listing was presented on the various actions that the Trustees utilize during the monthly and special committee meetings that exhibits compliance with the Prudent Investor Rule and why diversification is a very important consideration in exhibiting compliance. The closing concepts were related to reducing legal claims against Trustees under the Prudent Investor Rule.

3. **9:15 a.m. - HIQ Lead Plaintiff Start to Finish – Maya Saxena and Stefanie Leverette, Saxena White**

Leverette began the introductions and expressed gratitude to be a presenter. Saxena will be presenting an overview of what securities litigation and portfolio monitoring and the OkMRF lead plaintiff class action lawsuit against Health Insurance Innovations (HIQ).

Saxena began by defining what securities fraud is in publicly traded markets. She explained the portfolio monitoring process provided for OkMRF assets by cross referencing our custodial asset data with real-time financial market tools for large price drops in stocks and then to evaluate fraud potential with notification to OkMRF, as the client, of potential loss when fraud is identified and recommendations for legal options.

A background and overview of the class action lawsuit process:

HIQ was selling supplemental health insurance. The supplemental plans were sold by HIQ distributors and call centers, which aggressively and misleadingly market the products. Executive management touted its excellence in the call center with very limited complaints. Stock prices increased substantially during a two-year period and then the complaints and deceptions from the call center activity began to surface. So as this was becoming known within the news media outlets and with the FTC obtaining a court order to shut down and freeze assets, stock prices dropped dramatically. This correlated to their monitoring process revealing a potential loss of \$153,000, for OkMRF, due to the drop share prices from \$63/share to \$24/share.

On initial review, not a huge loss for a pension fund, however, many public funds did not own this stock. So, since this was a public fund loss, OkMRF was notified of this loss and the firm started researching the case. It was determined to be fraud and two public fund clients of Saxena White had losses. Public Funds involved as plaintiffs in class actions cases settlements tend to be 7.5% times higher than an individual investor.

OkMRF did due diligence with Saxena White before agreeing to participate. Board approved for OkMRF to move for lead plaintiff together with Saxena White's other client, City of Birmingham Retirement and Relief System. The Court approved the lead plaintiff status.

OkMRF was officially appointed as co-lead plaintiff in May 2019 and the various motions and discoveries continued. One year later, May 2020, Saxena White files a motion for class certification with Cox participating in a deposition and being cross examined. Case is certified by the court, mediation for settlement did not work, settlement discussion continued, case settles for \$11 million, 34% of damages, court approves the settlement and reimbursement to OkMRF for lead plaintiff expenses. Judge expressed appreciation to group who were involved in this class action lawsuit.

The FTC case against the executive office and the parent company is still ongoing. HIIQ changed its name and was acquired by a private equity firm in August 2020 and delisted from NASDAQ.

4. **10:00 a.m. - Active Impact Investing – Lauren Taylor Wolfe/Walter Lee, Impactive**

Moore of ACG introduced Wolfe and Lee of Impactive Capital. OkMRF will be investing in Impactive within the long/short equity allocation as an activist to help a company to grow at a faster pace within the ESG realm. They focus and engage with boards and management, products to consumer, employee's satisfaction, etc. Portfolio consists of eight (8) to twelve (12) high quality companies with the theory that ESG improvements can drive economic returns and make companies more competitive, profitable and valuable over the long run.

Wolfe described one of their social investments and the reasonings for an automotive dealership selection to the portfolio as a long-term investment. She then proceeded to discuss a company under the environmental investing tilt which dealt with energy and water recycling aspects.

Impactive will not take on a proxy takeover situation, they want to avoid headline risk. Impactive will exit with humility when active engagement with management does not make headway on ESG aspects that could improve the company.

The constructive engagement scorecard was reviewed as to the progress per date for the various companies within the portfolio.

5. **10:45 a.m. - Break**

6. **11:00 a.m. - Keynote Speaker: VOYA Firm – Heather Lavallee, Voya Financial**

Deltra Hayes provided a welcome on behalf of Voya Financial and appreciation was expressed by attendees for their Voya bag. Hayes introduce Lavallee who provided an overall update for the company, as a whole, for now and the future.

Lavallee began with the firm update on the business side on their three branches of operations, wealth and health solutions and investment management. A briefing of how Voya was fostering a culture grounded in values by being recognized as one of the most

ethical companies since 2014, the creating and empowering of a diversified work force, employees investing volunteer hours in their communities and caring about the environment by encouraging energy and paper usage reduction. Voya is continuing to advance this focus on diversity. She pointed out that Voya's board of directors is achieving an independent and diverse leadership.

Lavalle briefed on how the Wealth Solutions Group had reorganized with the same team of management but with expansion of roles and functions.

A need has been identified by Voya for participants as to how they are faced with a complex and overwhelming set of decisions when making benefit decisions at the beginning of employment and enrollment in benefit plans available. Stress factors are being identified and with the advent of Covid-19 this has added to individual's financial well-being being put at risk as it applies to wealth and health financial considerations.

Voya will continue to develop and improve their customer-centric approach by continuing to enhance the enrollment process, the participant website technology and various means to obtain educational materials. They will continue to be proactive in the cyber security process to protect participant and data sources by means of utilizing highly skilled security professionals, technology layers of collaboration across the industry, government agencies and security firms, implementation of best practice controls and the evolution of artificial intelligence.

Voya will continue to take a multi-pronged approach to implement ESG practices into their way of doing business and applying ESG principles to align retirement benefit processes for both employees and participants.

Voya has spent lots of time researching and listening to employees on the "Return to Office" model. They plan to return to the office in mid-September by utilizing a hybrid type model of office presence and working remotely. They are not mandating proof of vaccination and are of the opinion returning to the office will be ever evolving.

Sentiments expressed by Cox that a good partnership has been made with Voya and with Hayes and her team to make OkMRF a better service organization for participants.

**7. 11:45 a.m. - Lunch Break and Trustee Trivia – 3 Truths and 1 Lie**

Cox led the Trustee Trivia exercise during the lunch break.

**8. 1:00 p.m. - Responsible Investing: Aligning Outcomes for Investors, The Environment and Society – John Farley/Lance Garrison, Calvert**

Moore introduced Calvert, the ESG investment option within the DC plan. This option has just passed the one-year time frame of being available to participants with over \$1.2 million in assets.

Jimmy Stafford of Atlantic Capital began the overview. Atlantic Capital, an affiliate of Calvert, is the subadvisor to the mutual fund since 1998, and now all are under the umbrella of Morgan Stanley. The transition to Morgan Stanley was a very smooth transaction with no impact to operations, personnel and provides for opportunities from a larger, international firm.

Farley started the discussion of Calvert's definition and overview of responsible investing. Calvert has been in this business for over forty (40) years. He then proceeded to define what ESG investing means to Calvert and the factors they consider for responsible investing. The factors can have a real impact on their performance. ESG reporting by companies has dramatically increased; therefore, providing more data that can be evaluated and insight into how companies are operating. One of the specific data points Calvert has been focusing on is "human capital management".

There was a discussion regarding the recent departure of three (3) research analysts. However, noting that Calvert has tremendous depth within their research team and the platform used.

Calvert benchmarks to traditional indexes; therefore, demonstrating ESG factors do not create an investment sacrifice over the long-term. Responsible investing does not need to rely on negative screening techniques of the past because of more quality data being provided as it relates to ESG factors. There are now more assets and more options available for investing in ESG strategies due to the reporting that registered companies have been incorporating on ESG factors. U.S. ESG strategies are a little behind some of the international countries who have been recognizing these factors for longer periods of time.

Farley continued with an overview of the Calvert research and management process. They have experienced growth in Assets Under Management by focusing on responsible investing only, financial materiality and how active engagement drives performance and impact. The Calvert scorecard grid of factors was reviewed. This focus on financially material ESG issues helps to identify risks and other opportunities that might not be apparent. The scorecard offers greater insight into business performance.

Garrison discussed a more in-depth review of the research process and some of their holdings. As a high-quality investor, they look for sustainability issues, active participation in industry peer reviews, stock specific meetings and discussions. Then, before purchasing, there is one final review with the research analyst.

**9. 1:45 p.m. - Break**

**10. 2:00 p.m. - Real Assets opportunity set – Joe Nugent, ACG**

Nugent began by reviewing Real Assets exposures in the current portfolios with real estate funds in the DB plan and a diversified real asset mutual fund in the DC investment options. Real assets are providing excellent diversification and reduction of risk. The specific characteristics were reviewed for both JPMorgan real estate funds, noting the leveraging aspects, exposures by property types and geographic regions. The current market update for real estate indicates that core real estate had strong returns over this current economic cycle, but recently and currently is being affected negatively due to Covid. Income from properties is expected to remain the primary driver of total return for the next three to five years and this type of income remains attractive to other income producing investments. Cash flow from real estate with the income yield compared to the 10-year treasury is a 253 bps spread at the March quarter end, thus an attractive investment to have in a portfolio.

It appears the monetary policies of the Fed have been controlling inflation and will most likely hold rates till late 2022. However, inflation is becoming a concern for the first time in a while and is a consistent risk factor for investing. Nugent then discussed the various types of investments that can hedge against inflation in the real assets sector such as commodities, real estate, TIPS and infrastructure. However, commodities have not historically kept up with other asset classes over the long-term and are very volatile. Whereas real estate options and infrastructure do hedge against inflation by providing better returns with much less risk than commodities over longer periods.

TIPS breakeven inflation rate, the measuring of expected inflation, was discussed. The breakeven rate is at 2.5% in February 2021 which is the highest level since 2006.

Real Asset implementation options were reviewed from ACG's perspective for their clients' portfolios from both a public and/or private perspective utilizing both open and closed-end products that could protect the portfolio against inflation with providing attractive returns over the long-term. However, stocks will continue to do well with low inflation. Therefore, time is on OkMRF's side to review and consider implementing an asset allocation increase to the real estate allocation to include real assets.

11. **3:00 p.m. - Closing Comments**

Closing comments were led by Cox and Moore. The takeaway from this retreat was the expansion of ESG programs and investing and to seek further information and education for adding a Real Asset allocation to the DB plan with an asset allocation impact study.

Tinker expressed the option to consider investing in Oklahoma real estate properties. Cox indicated Trustee Dunham had previously expressed this same desire to invest locally or regionally.

12. **3:15 p.m. - Adjourn**



Robert Park, Secretary



Donna Doolen, Chair

Respectfully submitted by:



Rhnea Stewart, Fund Accountant