

MINUTES
**SPECIAL MEETING OF THE BOARD OF TRUSTEES OF THE OKLAHOMA
MUNICIPAL RETIREMENT FUND AND THE INVESTMENT COMMITTEE OF
OKLAHOMA MUNICIPAL RETIREMENT FUND**
February 25, 2021

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 25, 2021, at 2:00 p.m. with Chair Doolen calling the meeting to order due to quorum. On roll call the following members were present:

BOARD OF TRUSTEES PRESENT

Investment Committee: Jim Lockett, Jr., Retiree, City of Thomas
Robert Park, Retiree, City of Sallisaw
Ed Tinker, Retiree, City of Glenpool

Others: Donna Doolen, Finance Director, City of Ada
Joe Don Dunham, City Manager, City of Guymon *(via video)*
Tamera Johnson, Retiree, City of Shawnee *(via video)*
Robert Johnston, City Manager, City of Clinton *(via video/arrived at 2:05 p.m.)*
Melissa Reames, Deputy City Manager & Chief Financial Officer,
City of Stillwater *(via video)*

OTHERS PRESENT:

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

Others: Haley Rives, ACG *(via video)*
Kevin Moore, ACG *(via video)*
Tom Janisch, ACG *(via video)*
Kevin, FundMap *(via video)*

NOTICE: The agenda for the February 25, 2021, meeting was posted in the Columbus Square, first floor by 2:00 p.m. on February 23, 2021, by Gloria Cudjoe.



Signatures

Investment Committee Chair, Luckett, extended a welcome to all in attendance and presided over the meeting.

2. Conduct DB Long/Short Portfolio Review

Janisch provided an educational review of how shorting works and the potential for profit and loss. Park asked how long a shorted share can be held and the response was no limit on time. Janisch explained the benefits of shorting as providing liquidity to market participants and price discovery on stock issues. Janisch presented a chart from Goldman Sachs showing how shorting activity had increased tremendously over the last year. He then applied these principles to recent events involving GameStop stock. GameStop was mostly influenced by feeling and emotions of smaller investors instead of company fundamentals. The trading history of GameStop since January 13th shows the tremendous volatility associated with the stock, as well as periods of substantial price appreciation which could not be justified. Janisch then explained how a short squeeze takes place and hurts managers who are short the position. He finished the education section by stating the SEC is discussing potential regulations on shorting.

Janisch reviewed how ACG constructs the Long/Short portfolio using a core/satellite/emerging manager approach. The OkMRF Long/Short portfolio is diversified between long/short managers who hold differing company stocks based on market cap size, industry, sector, region, country, etc. The portfolio currently has eleven (11) managers with a net exposure of 67% as of December 31, 2020. Janisch reviewed portfolio statistics highlighting individual manager long and short exposures, geographic, market cap and sector positioning compared to the HFRI Index. Since July 2014, when OkMRF began participating in a Long/Short strategy, there have been twenty-eight (28) negative performance months in the market. However, the OkMRF Long/Short portfolio has only experienced four (4) negative performance months. Over the last five (5) years, the OkMRF Long/Short portfolio has returned 10.02% versus the HFRI Strategic Index of 6.74%. In addition, the OkMRF Long/Short portfolio over the one (1) and three (3) year time horizons provided a return of 21.53% and 9.35% versus the ACWI Index of 17.59% and 8.47% respectively. Using Sharpe Ratio, the portfolio has provided more return per unit of risk over all time periods measured when compared to both the HFRI Strategic Index and the ACWI Index.

ACG recommended redeeming from Manager K and reallocating the proceeds to Manager L. Manager K and Manager L are both activist managers; however, Manager K is primarily a large cap activist whereas Manager L is a small-mid cap activist with an Environmental, Social and Governance (ESG) tilt. Manager K was described as having okay returns and as of late has exhibited style drift to mega cap names. Therefore, ACG recommends a reallocation to Manager L which could provide more opportunities with the ESG factors. Both Manager K and Manager L were described as typically holding eight (8) to twelve (12) positions with ten (10) being the average. The fee structure for Manager L was quoted as 1.75% and 17.5% of the profits, a one (1) year lockup and quarterly liquidity afterwards. After being invested in the Manager L portfolio for more than two (2) years, the annual management fee would be decreased by 25 bps.

3. Discuss and Develop a Recommendation for Board Action Regarding ACG Recommendation for Reallocation from Existing Manager to a New Manager in the K2 Long/Short Portfolio

Motion by Luckett, seconded by Tinker to make a recommendation to the Board to accept the ACG recommendation to redeem all capital from Triam Partners and reallocate to Impactive Capital.

Luckett: Yes Park: Yes Tinker: Yes

4. Discuss and Develop a Recommendation for Board Action Regarding Reallocation and/or Rebalancing of Assets Among Investment Managers

Moore reviewed the rebalancing recommendation by ACG. The proposed changes include a strategic allocation adjustment moving 5.0% of Fixed Income Portfolio to the International Equity Portfolio allocation. Other factors include reallocating money within the Long/Short Portfolio from excess cash, a need to raise cash to fund the expected closure of the City of Stillwater DB plan and an increase cash for future pension benefit payouts. Most trades will execute during the first week of March, however the redemption from SSgA S&P 500 fund, which would fund the WCM Focused Internal Growth fund would not occur until the last full week of March 2021. Redemption proceeds from Manager K would be used to fund Manager L in the fourth quarter of 2021.

Motion by Luckett, seconded by Park to recommend to the Board to accept the ACG recommended reallocation of assets between investment managers as listed on page 271 of the agenda packet.

Luckett: Yes Park: Yes Tinker: Yes

5. Conduct Semi-Annual Investment Performance Review and Receive Quarterly Performance Report for December 31, 2020, as Presented by Asset Consulting Group

Moore reviewed the December 31, 2020 quarterly performance report. For the DB Fund, all metrics of risk and return exceeded the benchmark Policy Portfolio over the last ten (10) years. In addition, peer group rankings with other DB Public plans around the nation placed the OkMRF portfolio in the top percentile of performers over the last one (1), three (3), five (5) and ten (10) year periods.

In the Defined Contribution Plan, options are constructed using a core and satellite approach which helps the portfolio gain diversification benefits and lowers the overall expense ratio charged by managers. The Growth and Value Fund has 50% allocated to the S&P 500 index, 25% allocated to Vanguard Windsor II and 25% allocated to Fred Alger Capital Appreciation. Last year, Fred Alger saw three (3) healthcare analysts depart the team for other opportunities. At the time, it was determined that Fred Alger had a deep bench of analysts ready to step into the roles and a redemption was not necessary. Recently, a portfolio manager, who is a key decision maker, announced they would be leaving the firm to pursue other interests. As a result of this departure, ACG will be recommending the OkMRF Board of Trustees the termination of Fred Alger from the portfolio. ACG will review options available on the Voya platform and bring a list of suitable replacement managers to the March Board meeting. Despite this change, portfolio performance has been excellent when compared to the peer universe with the Growth and Value Fund ranking in the top percentile of overall time periods measured.

The Aggressive Equity Fund has a similar core and satellite construct. The SSgA Small Cap Completeness Fund provides broad market access, Victory Integrity Small Cap Value accesses the value space and TimesSquare Small Cap Growth accesses the growth space. Portfolio performance has been strong when compared to the peer universe with the Aggressive Equity Fund ranking in the top one-third percentile of performance over all time periods measured.

The International Equity Fund has similar core and satellite construct. The SSgA Global Equity Ex-U.S. fund provides broad market access, Artisan International Value accesses the value

space, Harding Loevner International Equity accesses the growth space and Harding Loevner Emerging Markets accesses the emerging market space. Portfolio performance is mixed over shorter time horizons when compared to the peer universe, however the ten (10) year performance is still in the top percentile.

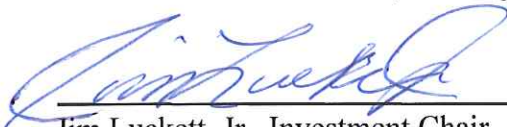
The Total Yield Fund utilizes the same three (3) managers as the Defined Benefit plan. The option is constructed to be all active with the JP Morgan Chase Core Bond Trust being the investment grade bond manager, Amundi Core Plus as the multi-sector manager and Blackrock Strategic Income Opportunities as the opportunistic manager. Over time, ACG has been pleased with relative performance. As yields have fallen, the Fund is much less interest rate sensitive which helps the portfolio in a rising interest rate environment, while hurting it in a falling interest rate environment. With interest rates currently held so low, the portfolio should be well positioned to take advantage of a rising rate environment once the Federal Reserve begins to raise rates in the future. Currently, there are no concerns despite some of the lower rankings.

6. **New Business**

None.

7. **Adjourn**

With no further discussion, meeting adjourned at 3:46 p.m.



Jim Lockett, Jr., Investment Chair



Donna Doolen, Chair

Respectfully submitted by:




Chris Wootley