

MINUTES
BOARD OF TRUSTEES
OKLAHOMA MUNICIPAL RETIREMENT FUND
July 30, 2021

1. Call To Order

The Board of the Oklahoma Municipal Retirement Fund met at Oklahoma Municipal Retirement Fund Offices, Oklahoma City, Oklahoma, on July 30, 2021, at 10:02 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 Clinton
Treasurer: Jim Lockett, Jr., Retiree, City of Thomas
Secretary: Robert Park, Retiree, City of Sallisaw (*Non-voting Board Member*)
Members: Joe Don Dunham, City Manager, City of Guymon
Tamera Johnson, Retiree, City of Shawnee (*via video*)
Tim Rooney, City Manager, City of Mustang
Ed Tinker, Retiree, City of Glenpool

OTHERS PRESENT:

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

Others: Kevin Moore, ACG (*via video*)
Juan Albin, ACG (*via video*)
Mike Brown, ACG (*via video*)
Wally Theado, JPMorgan (*via phone*)
Mike Edwards, JPMorgan (*via phone*)
Sean Sullivan, Dean Actuaries (*via phone*)
Troy Bradley, Midwest City (*via phone*)
Gar Chung, FIN News (*via video*)
Rowen Descallar, Pageant Media (*via video*)

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

Doolen welcomed everyone and called the meeting to order.

NOTICE: The agenda for the July 30, 2021 meeting was posted in Columbus Square, Oklahoma City, Oklahoma, by Gloria Cudjoe by 10:00 a.m. on July 29, 2021.



Signature(s)

2. Approval of Consent Agenda

The following items were presented under the consent agenda.

A. Minutes of June 24, 2021 and June 25, 2021 Meeting(s)

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

Option	Value By Fund
Defined Benefit	\$ 749,469,269.21
International Investment Equity	\$ 10,264,892.79
Aggressive Equity	\$ 23,333,547.99
Real Assets Fund	\$ 682,304.88
ESG US Stock Fund	\$ 1,419,519.24
Global Equity	\$ 11,026,432.32
Growth and Value Equity	\$ 27,945,896.85
S & P 500 Index	\$ 38,249,724.95
Target Retirement 2065	\$ 150,042.81
Target Retirement 2060	\$ 5,379,260.28
Target Retirement 2055	\$ 7,450,063.32
Target Retirement 2050	\$ 12,571,568.51
Target Retirement 2045	\$ 15,993,811.32
Target Retirement 2040	\$ 21,219,858.24
Target Retirement 2035	\$ 28,712,268.15
Target Retirement 2030	\$ 32,715,295.11
Target Retirement 2025	\$ 45,922,431.92
Target Retirement 2020	\$ 35,061,666.52
Target Retirement Income	\$ 23,756,724.66
Total Yield Bond Fund	\$ 6,684,388.76
Bond Index	\$ 16,530,355.53
Voya Fixed Plus III	\$ 41,520,931.62
Loan Portfolio	\$ 8,103,583.00
Self Directed Brokerage	\$ 281,705.71
Total Assets	\$ 1,164,445,543.69

C. Purchases and Sales of Assets

D. Administrative Expenses and Fees

Expenses and Fees for July

Actuary & Recordkeeping	\$ 52,121.59
Administration	104,235.47
Attorney	13,574.00
Audit	0.00
Board Travel	3,352.34
Employer Directed Expense	1,904.00
Insurance	14,828.00
Investment Advisors	160,019.55
Custodial	9,218.84
Investment Consultant	0.00
Public Relations	0.00
Representative Travel	<u>2,518.32</u>
EXPENSES	<u>\$361,772.11</u>

E. Benefit Payments and Contribution Refunds

Motion made by Dunham, seconded by Luckett to approve all items on the Consent Agenda.

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

NAY: None

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

No action taken.

4. Comments from the Public

None.

5. JPMorgan: Annual Update from Investment Manager – Wally Theado and Mike Edwards

Edwards began discussion with appreciation of OkMRF's ongoing relationship with JPMorgan. Edwards stated the current fixed income market's dispersion is characterized by a fair amount of inflation, around 5.0%, and a strong economy, but with recession-like treasury yields around 1.23%.

Theado began reviewing presentation with a core bond investment team update. Experience, knowledge, and philosophy are key drivers for the team's success in the never-before-seen fixed

income market and is reflected in the fund's performance. Second quarter gross returns outperformed the benchmark by 12 bps, while one (1) year gross returns outperformed by almost 200 bps. Theado noted portfolio positioning of yield and spread advantage along with an underweight duration to the index has benefited the portfolio. Moving forward, JPMorgan intends to remain underweight in duration as rates are expected to continue to remain lower and not increase in the short-term. JPMorgan is not willing to give up spread or yield if rates are predicted to stay neutral.

Theado discussed sector distribution across the fund, noting large underweight in Treasuries to spread product into those securities which are not government guaranteed and continue to have credit exposure, such as non-agency MBS, ABS, CMBS and non-corporate credit. The overweight in multiple sectors was beneficial in the first and second quarter of 2021. Both curve positioning and duration was a negative to performance due to underweight to the long end of the yield curve.

With investors taking gains and the Federal Reserve remaining dovish, this resulted in a yield curve twist. As cash is being redirected towards money market funds, instead of making its way into the system, along with the Covid-19 Delta variant and oil reversing lower, rates are predicted to increase towards the end of 2021, but not within the next few months. The reacceleration of U.S. labor markets, strong global GDP growth and increased inflation will apply pressure for long-term rates to continue to moderately increase. Looking forward, JPMorgan will be repositioning by reducing corporate credit exposure, but maintaining an overweight and deploying towards securitized credit, due to strong consumer balance sheets.

6. Consideration and Possible Action Regarding Investment Committee Report

A. ACG: Review of Monthly ASAP Reports

Moore began discussion by introducing ACG summer interns, Juan Albin from Uruguay and Mike Brown, senior at University of Missouri. Both interns are currently working on a fee analysis project. Moore provided full fiscal year review, stating reported returns are very strong as the portfolio continues to participate in economic rebound. GDP growth was reported at 6.5% on an annualized basis, which is slightly below economists estimate, but most importantly, consumer demand remains strong. ACG is paying close attention to the consumer demand piece of the GDP number. As consumer demand remains strong, ACG expects supply chain issues to work themselves out over time and consumer demand will help carry GDP figures throughout the remainder of 2021 and into 2022. Long-term expectations predict GDP to decline about 2.0%, which will correlate to lower market expectations. To potentially increase long-term return expectations, next month ACG will discuss new asset allocations within the real estate allocation.

Moore reviewed the DB portfolio, noting \$750 million in assets as of June 30. Actual allocations remain close to target allocations. Year-to-date portfolio returns are up 8.28% net of fees and continues to be in line with the policy index. Fiscal year-to-date returns outperformed the policy index by 186 bps, net of fees, keeping the long-term 7.25% actuarial assumption rate of return achievable. Equities continue to be the offensive piece of the DB portfolio. Small and mid-cap equities reported relative underperformance, due to River Road's expected underperformance at the beginning of an economic rebound. ACG has River Road on their radar to determine how they will deploy cash reserves in the upcoming months. International equities continue to perform exceptionally well, outperforming the benchmark in all reported time periods. The long/short component of the portfolio reported stifled returns against global stocks, as this component was implemented as insurance during a sideways trading market. The fixed income component continues to outperform the benchmark with Amundi and Black Rock's strategic

positioning supporting absolute performance. High quality assets and broadly managed portfolios within the Real Estate portfolio provided over an 8.0% return, gross of fees.

Moore provided a high-level review of the DC portfolio, noting \$415 million in assets as of June 30. The Growth & Value equity option had relative outperformance over all time periods. Underlying money manager, T. Rowe Price, went live in June as a replacement of Fred Alger. ESG equity option continues to see inflows of cash totaling over \$1.5 million with relative outperformance of the benchmark. As inflation has reentered the economic picture, the Real Assets option continues to hedge against inflation with strong performance coming from REITS and commodity allocations. Target Retirement Date funds continue to perform as expected with double digit returns over the course of the trailing three (3) and five (5) year time frames.

B. Consideration and Possible Action on Reallocation and/or Rebalancing of Assets Among Investment Managers as Recommended by the Investment Committee and Rejection or Approval of any Amendments Proposed and Considered by the Trustee at the Meeting

Cox recommended Board ratify sell of \$6 million from SSgA S&P 500 fund to raise cash for quarterly pension payments.

Motion made by Lockett, seconded by Tinker to ratify sell of \$6 million from SSgA S&P 500 fund for quarterly pension payments.

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

NAY: None

7. Consideration and Possible Action Regarding Administrative Committee Report

No action taken.

8. Consideration and Possible Action Regarding Contract Committee Report

Contract Committee Chair Rooney, along with Staff, conducted an annual review of insurance coverage and recommended the following three (3) renewals be approved.

A. Discussion and Possible Action to Renew Liability Protection Plan with OMAG as Recommended by the Contract Committee and Rejection or Approval of any Amendments Proposed and Considered by the Trustees at the Meeting

Rooney reported renewal for liability protections with a premium decrease of \$57.

Motion made by Rooney, seconded by Dunham to approve renewal liability protection plan with OMAG for period of August 1, 2021 through August 1, 2022.

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

NAY: None

B. Discussion and Possible Action to Renew Business Personal Property Coverage with Hartford as Recommended by the Contract Committee and Rejection or Approval of any Amendments Proposed and Considered by the Trustees at the Meeting

Rooney reported renewal for personal property with a premium increase of \$37.

Motion made by Rooney, seconded by Dunham to approve renewal of business personal property coverage with Hartford for the period of September 1, 2021 through September 1, 2022.

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

NAY: None

C. Discussion and Possible Action to Renew Cyber Security Insurance with Lloyds/Beazley as Recommended by the Contract Committee and Rejection or Approval of any Amendments Proposed and Considered by the Trustees at the Meeting

Rooney reported on renewal for cyber security insurance with a premium increase of \$2,555. Non-binding quote obtained from another provider was exceedingly higher.

Motion made by Rooney, seconded by Dunham to approve renewal of cyber security insurance with Beazley, underwritten by Lloyds of London, for the period of August 26, 2021 through August 26, 2022.

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

NAY: None

9. 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 of asset experience on the OkMRF funding requirements by Member plans as of June 30, 2021. Due to the market recovery, the market value weighted return was 27.35% and the smoothed actuarial value return was 11.0%, for the period ending. First time since 2017, the portfolio exceeded the target actuarial return. The actuarial value as a percent of market value was reported at 89% due to unrealized gains for the period ending. Market experience resulted in an average cost decrease of 1.09% and a median decrease of .96% across all plans.

Motion made Lockett, seconded by Rooney 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, 2022.

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

NAY: None

10. 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 Lockett to receive recommendation 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, 2022.

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

NAY: None

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

Whately reported on plan changes for the OkMRF members.

12. OkMRF Staff Report

Cox reported on the following items:

- Next month, the Investment Committee will meet in-person in the OkMRF offices on Thursday, August 26th at 2:00 p.m. Other Board Members are encouraged to attend. Please let Chris know if you will be attending. The Investment Committee will do a deeper dive on the 6/30/2021 quarterly report and semi-annual long/short review along with developing possible recommendations on the real assets construct of the DB portfolio.
- Next month at the regular Board meeting, we will receive an annual update from our two (2) custodial banks: Northern Trust and Voya Financial.
- Election ballots were mailed on July 13th and votes are accepted through August 30th. To-date votes received for District 6: One (1) vote for Chris Lally, one (1) vote for Jason Orr and one (1) vote for Tim Rooney. There are 27 total voting members. Update on District 5: incumbent Melissa Reames did not draw an opponent, Reames will serve as District 5 trustee for five (5) more years.
- On July 9th, John Papahronis and Cox completed the filing requirements for the DB plan documents and mailed proposed updates to the IRS. This begins the six (6) year filing process. Cox thanked Sean Sullivan, John Kaspar, Kari Baser and legal team for all their hard work in cleaning up the DB master and joinder documents. This was a very grueling and detailed review but should prove well worth the time and effort.
- This year's 2021 George F. Wilkinson award for being the OkMRF 2021 outstanding Authorized Agent will be presented to Shannon Couch, City Clerk of City of Sulphur. Presentation will be made at Sulphur's August 9th, council meeting.
- Update on Stillwater Medical Center (SMC): Two (2) separate rounds of follow-up questions have been received regarding our RFP responses. The last set of responses to questions were sent this past Wednesday evening. We are currently in a waiting period and would be excited, if given the opportunity, to welcome SMC back into Membership.
- Regarding Oklahoma Public Funds conference, rooms have been secured for: Dunham, Johnson, Tinker, Park, Reames and Lockett. The three (3) other Board members are attending virtually. Please advise by August 15th if you want to cancel your in-person attendance.
- Girardi will be coordinating with the Trustees who have offered to help at the OML conference. Stay tuned for work schedules. Please advise if you desire to attend the Hall of Fame banquet on Thursday evening.

13. New Business

None.

14. Trustee/Member Comments

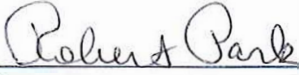
None.

13. New Business

14. Trustee/Member Comments

14. Adjourn

With no further business to conduct meeting adjourned.



Robert Park, Secretary



Donna Doolen, Chair

Respectfully submitted


K. Girardi

Katie Girardi