MINUTES
SPECIAL MEETING OF THE BOARD OF TRUSTEES OF THE OKLAHOMA MUNICIPAL RETIREMENT FUND AND THE INVESTMENT COMMITTEE OF OKLAHOMA MUNICIPAL RETIREMENT FUND
August 26, 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 August 26, 2021, at 2:08 p.m. with Investment Committee Chair Luckett calling the meeting to order. On roll call the following members were present:

BOARD OF TRUSTEES PRESENT

Investment Committee: Jim Luckett, Jr., Retiree, City of Thomas
Robert Park, Retiree, City of Sallisaw
Ed Tinker, Retiree, City of Glenpool (*departed at 4:25 pm*)

Others: Joe Don Dunham, City Manager, City of Guymon (*Non-voting trustee in listen mode only*)
Donna Doolen, Finance Director, City of Ada (*Non-voting Trustee in listen mode only*)
Robert Johnston, City Manager, City of Clinton (*Non-voting Trustee in listen mode only*)
Melissa Reames, Finance Director, City of Stillwater (*Non-voting Trustee in listen mode only*)
Tim Rooney, City Manager, City of Mustang (*Non-voting Trustee in listen mode only*)

OTHERS PRESENT:

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

Others: Kevin Moore, ACG (*via phone*)
Tom Janisch, ACG (*via phone*)

NOTICE: The agenda for the August 26, 2021, meeting was posted in the Columbus Square, first floor by 2:00 p.m. on August 24, 2021, by Gloria Cudjoe.

Gloria Cudjoe

Signature(s)

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

2. **<u>Discuss and Develop a Recommendation for Board Consideration and Possible Action Regarding ACG Recommendation to Add Additional Real Asset opportunities, Adjust Asset Allocation and Propose Implementation Timeline within the Defined Benefit Portfolio</u>**

Moore opened with a brief overview of the day's discussion and reviewed the current DB portfolio structure. Moore highlighted the two (2) current real estate investment funds detailing the investment strategy, breakdown of the underlying sector allocations, geographic locations, and leverage levels for each fund. He ended the review by comparing the existing real estate fund metrics to benchmark metrics. Moore continued the discussion by reviewing capital market assumptions and correlations between investments used to develop the current asset allocation in the Defined Benefit portfolio. Moore reviewed ACG's three (3) proposed future asset allocation mixes, highlighting the funds to be reduced to allow reinvestment into a proposed new real asset fund. After completing the review, Moore polled the Investment Committee to gain input from the Trustees on which mix they felt would be better. All Committee members felt Mix 2, which would increase the real assets allocation from 5% to 10% and lower the fixed income allocation from 25% to 20%, would provide the most impactful increase in portfolio return, while minimizing the increase in standard deviation. Tinker reiterated how much he liked Mix 2, however, he felt strongly the new real asset mandate should have some level of investment within the State of Oklahoma. Moore stated the challenge would be to find an institutional quality investment fund that invests predominantly in the Midwest. To date, ACG has not been able to find a suitable institutional manager with an open-ended fund that is not a private equity manager with a very long lock up period in which to invest. Whatley pointed out that at the end of 2020, BlackRock completed a study for the Oklahoma Municipal Retirement Fund examining the potential effect on the Fund's asset allocation due to membership departures. At that time, BlackRock demonstrated approximately 20% of the Fund's asset base would need to be withdrawn due to membership departures before a significant impact would be felt on the Fund's asset allocation. Investment Chair Luckett pointed out the Fund's history with Oklahoma real estate investments and the difficulty involved with trying to exit those investments. As a result, the Investment Committee affirmed their desire to avoid investments with long lockup periods.

Moore continued the discussion by presenting multiple implementation alternatives. He introduced three (3) real estate candidate managers on a risk/return spectrum and how their portfolio metrics would fit in with the current real estate managers. The three (3) candidate managers focused on various types of real estate, with two being considered value-added managers, which moved both their risk and potential return farther out on the risk spectrum. All three (3) employed some leverage within their portfolios, as well as, carried interest incentive fees. Manager A was most like the current Special Situations Property Fund; however, Manager B and Manager C were very different. Manager B added value through development activities, whereas Manager C was focused on industrial specific investments. Managers B and C both had long track records more than fifteen years; however, Manager A was only established in 2014.

Next, Moore introduced four (4) infrastructure candidate managers on a risk return spectrum with the existing real estate funds. Moore stated the discussion would focus on diversified infrastructure in both the public and private markets. Of the four (4) candidate managers, two (2) invested in the public equities of the companies doing the infrastructure projects and two (2) invested in the infrastructure projects themselves. Two (2) of the candidate managers had track records more than fifteen years and two (2) had track records of less than ten years. Two (2) of the managers were easily accessed through exchange traded funds or mutual funds, while the remaining managers were private commingled open-end funds. Moore concluded the discussion with ACG's proposed next steps.

The Investment Committee stated they would like to proceed with discussions and proposal from ACG regarding investing either in infrastructure or value-add real estate options.

Motion by Park, seconded by Tinker to recommend to the Oklahoma Municipal Retirement Fund Board of Trustees to gravitate the asset allocation towards the proposed Mix 2, increasing the real assets allocation from 5% to 10% and lowering the fixed income allocation from 25% to 20%, in a timely fashion.

Luckett: Yes Park: Yes Tinker: Yes

3. **Discussion, Education and Update on Long/Short Portfolio**
Janisch reviewed how ACG constructs the Long/Short portfolio using a core/satellite/emerging manager approach with the objective of maximizing on upside participation with downside protection over the long-term horizons. The 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 75% as of June 30, 2021. Janisch reviewed portfolio statistics, highlighting individual manager's long and short exposures, geographic sectors, market cap, and sector positioning compared to the HFRI Index. Over the last five (5) years, the Long/Short portfolio returned 10.33% compared to the HFRI Strategic Index of 7.07%. Furthermore, using the Sharpe ratio, the portfolio has provided more return per unit of risk over the same time horizon measured when compared to both the HFRI Strategic Index and the ACWI Index.

4. **Conduct Semi-Annual Investment Performance Review and Receive Quarterly Performance Report for June 30, 2021 as Presented by Asset Consulting Group**
Moore reviewed the June 30, 2021, quarterly performance report emphasizing the risk/return metrics of the DB portfolio. All risk and return metrics exceeded the policy index over the last five (5) and ten (10) year horizons. In addition, peer group rankings with other DB public plans around the nation placed the OkMRF portfolio in the top quintile of performers over the last three (3), five (5) and ten (10) year periods.

In the DC plan, Moore highlighted the five (5) and ten (10) year performance numbers for the actively managed fund options. In all cases, except the Aggressive Equity Fund, Moore noted the strong performance of the fund options versus both the benchmark and the peer group. Even though the Aggressive Equity fund has not been as strong, the white-label fund continues to rank in the top 30 percentile versus both U.S. Mid-Cap Core Equity universe and the U.S. Small-Cap Core Equity universe over a five (5) year horizon and top 50 percentile versus U.S. Mid-Cap Core Equity universe and the U.S. Small-Cap Core Equity universe over a ten (10) year horizon.

5. **New Business**
None.

6. **Adjourn**
With no further discussion, meeting adjourned at 4:34 p.m.

Jim Luckett, Jr., Investment Chair

Donna Doolen, Chair

Respectfully submitted by:

OKLAHOMA MUNICIPAL RETIREMENT FUND
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SEAL
OKLA.

Chris Whatley