

MINUTES
BOARD OF TRUSTEES
OKLAHOMA MUNICIPAL RETIREMENT FUND
March 26, 2021

1. Call To Order

The Board of the Oklahoma Municipal Retirement Fund met at Oklahoma Municipal Retirement Fund Offices, Oklahoma City, Oklahoma, on March 26, 2021, at 10:01 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 Luckett, Jr., Retiree, City of Thomas
Secretary: Robert Park, Retiree, City of Sallisaw (*arrived at 10:17 a.m.*)
Members: Joe Don Dunham, City Manager, City of Guymon (*via video*)
Tamera Johnson, Retiree, City of Shawnee (*via video*)
Tim Rooney, City Manager, City of Mustang (*via video*)
Melissa Reames, Deputy City Manager & Chief Financial Officer, City of Stillwater (*via video, left at 11:57 a.m.*)
Ed Tinker, Retiree, City of Glenpool (*left at 11:57 a.m.*)

OTHERS PRESENT:

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

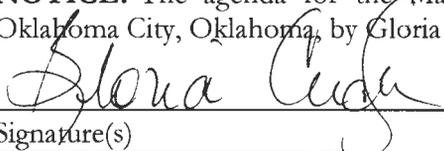
OkMRF Attorney: David Davis (*via video*)

Others: Kevin Moore, ACG (*via video*)
Ryan Siebers, ACG (*via video*)
David Settles, SSgA (*via video*)
Brian Murtagh, SSgA (*via video*)
Sean Sullivan, Dean Actuaries (*via telephone*)
Gar Chung, Financial Investment News (*via video*)
Rowen Descallar, Pagent Media (*via video*)
Unknown Participant (*via phone, 914-584-0654*)

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

Doolen welcomed everyone and called the meeting to order.

NOTICE: The agenda for the March 26, 2021 meeting was posted in Columbus Square, Oklahoma City, Oklahoma, by Gloria Cudjoe by 10:00 a.m. on March 25, 2021.



Signature(s)

2. **Approval of Consent Agenda**

The following items were presented under the consent agenda.

A. **Minutes of February 26, 2021 Meeting(s)**

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

Option	Value By Fund
Defined Benefit	\$ 715,623,342.96
International Investment Equity	\$ 9,732,973.56
Aggressive Equity	\$ 22,567,733.65
Real Assets Fund	\$ 439,492.10
ESG US Stock Fund	\$ 904,768.30
Global Equity	\$ 10,189,886.24
Growth and Value Equity	\$ 25,340,127.59
S & P 500 Index	\$ 33,794,212.53
Target Retirement 2065	\$ 10,011.69
Target Retirement 2060	\$ 4,765,815.91
Target Retirement 2055	\$ 6,585,642.39
Target Retirement 2050	\$ 11,289,027.46
Target Retirement 2045	\$ 14,422,531.20
Target Retirement 2040	\$ 19,462,427.71
Target Retirement 2035	\$ 25,485,970.54
Target Retirement 2030	\$ 30,612,015.72
Target Retirement 2025	\$ 43,897,054.72
Target Retirement 2020	\$ 33,295,460.70
Target Retirement Income	\$ 22,912,058.95
Total Yield Bond Fund	\$ 6,826,003.83
Bond Index	\$ 17,377,410.64
Voya Fixed Plus III	\$ 43,071,473.62
Loan Portfolio	\$ 7,957,576.05
Self Directed Brokerage	\$ 238,144.55
Total Assets	\$ 1,106,801,162.61

C. Purchases and Sales of Assets

D. Administrative Expenses and Fees

Expenses and Fees for March

Actuary & Recordkeeping	\$ 49,524.53
Administration	104,998.52
Attorney	8,072.00
Audit	0.00
Board Travel	633.05
Employer Directed Expense	0.00
Insurance	136,055.00
Investment Advisors	0.00
Custodial	14,881.91
Investment Consultant	0.00
Public Relations	0.00
Representative Travel	210.09
EXPENSES	<u>\$314,375.10</u>

E. Benefit Payments and Contribution Refunds

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

Motion carried: AYE: Doolen, Dunham, Johnson, Johnston, Luckett, Reames, 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. **SSgA Annual Update from Investment Manager – David Settles and Brian Murtagh**

Settles began presentation with an organization update. In 2020, despite SSgA's travel ban and work from home challenges, they maintained business continuity. As vaccines become more readily available around the country, Settles expects employees to return to the office around the 4th of July. Asset servicing remains SSgA's largest arm of business, around 85% of revenue, while being responsible for about 10% of the world's assets with \$38.8 trillion under management. No upcoming changes to leadership in the company, besides Rick Lacaille becoming more involved with ESG efforts and Lori Heinel will be assuming his role as Global CIO. Settles confirmed SSgA's continued long-standing relationship with OkMRF managing a combined 40% of assets between DB and DC portfolios.

Settles moved on to performance returns of the passively managed strategies. SSgA Index funds are replicas of the respective indexes and are expected to have a minimal tracking error, except when high volatility swings create a larger dispersion which were present in 2020. From the economic shutdown in March 2020, equity markets rebounded tremendously with one (1) year performance; S&P 500 Index up 17.18%, Small/Mid Cap Index up 36.45%, Global Equity Index up 17.91% , Global Equity ex-U.S. up 14.87%, and U.S. Bond Index up 4.81%, all net of fees. Projections for the U.S. economy continue to go up, driven by fiscal stimulus and vaccine rollouts, but multiple economic factors appear to be slightly stretched. Murtagh discussed the Target Retirement Date fund's strategic asset allocation process. The goal of these funds is to track the customized index for each vintage year. Tracking errors from the underlying indexes are the main driver of minimal underperformance and continue to operate efficiently within expectations.

Settles discussed Global Equity Beta Solutions (GFBS), also known as passively managed equities which represents 75% of assets under management for SSgA and who manages the majority of OkMRF invested assets. Significant amounts of experience from portfolio managers and integrated A.I. (artificial intelligence) allows SSgA to manage funds cost effectively without the high trading costs found in the open market.

Murtagh reviewed SSgA's Defined Contribution holistic business plan including managing of investments, participant communication and engagement, conducting firm tailored analysis and public policy review. A shift from active to passive management has driven cash inflows to SSgA's DC portfolio of strategies leading to approximately \$618 billion assets under management. The foundation of each Target Date Retirement fund is built on an asset allocation of the glide path and is managed strategically to build on long-term investment beliefs through cost efficient index funds.

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

A. **ACG: Review of Monthly ASAP Reports**

Moore began presentation with a broad market overview for the previous and current month. Equities performed well in February but were met with challenges in March. GDP growth projections for 2021 increased to 6.51% despite the increase of bond yields and the anticipation of increased inflation. Moore reiterated the inflationary tools in the portfolio, real assets and global long/short equities, will be used to hedge against concerns.

DB target allocations are out of line due to the timing of rebalancing in March but will match approved allocations at the end of next month's review. Total portfolio performance was strong through end of February, up 2.3% net of fees and outperformed the index by 1.0%. Equities, the offensive portion of the portfolio, has been the primary contributor of performance with small/mid cap equities reporting return of over 37.0% fiscal year-to-date. Non-U.S. active equity managers proved beneficial as shifts in international markets allow managers to invest in different sectors and regions. The long/short portfolio reported strong

month end performance driven by small/mid cap and opportunistic managers. As rates continue to rise, it has become a headwind for the Fixed Income sector, but active management has provided relative outperformance on all reported time frames. Real Assets continue to see positive returns in both portfolios.

Moore provided a high-level update on the DC portfolio. The Aggressive Equity option had extremely strong performance in February, which was driven by Integrity's large position in financials. The International Equity option reported strong relative performance over all time frames. The ESG U.S Stock Fund option reported relative underperformance as Calvert is underweight in larger name companies. Target Retirement Date funds performed in line with expectations.

B. ACG: Consideration and Possible Action Regarding DB and DC Investment Policies & Guidelines as Recommended by the Investment Committee

Moore presented the changes in both policies. Amendments were related to standardizing word usage throughout, identifying specific roles of the Board of Trustees and Investment Committee, updating shift in target allocations, focusing performance on long-term return comparisons, broadening language in core fixed income, shifting placement of investment manager termination notifications and open records sections.

Motion made by Lockett, seconded by Tinker to approve the amendments to the Statement of Investment Policy Guidelines and Objectives for both the DB and DC as recommended by ACG.

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

NAY: None

C. ACG: Consideration and Possible Action to Liquidate Fred Alger Capital Appreciation as one of the Underlying Managers of the Growth and Value Fund in the DC Lineup as Recommended by the Investment Committee

Motion made by Lockett, seconded by Park to accept Investment Committee's recommendation to liquidate Fred Alger Capital Appreciation as one of the underlying managers of the Growth and Value Fund in the DC lineup.

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

NAY: None

D. ACG: Consideration and Possible Action to Replace one of the Underlying Managers in the Growth and Value Fund in the DC Lineup as Recommended by the Investment Committee

Moore presented background on reasoning for replacing Fred Alger as an underlying manager within the Growth and Value fund in the DC lineup. Due to the departure of a vital portfolio manager, this ultimately led to ACG's recommendation of termination. Moore discussed ACG's process of selecting three (3) managers for consideration; Sands Select Growth, T. Rowe Price and Winslow.

Siebers continued presentation discussing common attributes of each manager's fund such as implementing a Large Cap Growth strategy focused on purchasing companies with higher growth potential and having larger allocations to technology and consumer discretionary sectors. Siebers reviewed specific characteristics of each manager noting a concentrated portfolio of only 25-30 holdings for Sands Select Growth, a large global equity research team and attractive expense ratio for T. Rowe Price Large Cap Growth and a long tenured management team with a diversified number of allocations for Winslow Large Cap Growth.

Siebers reviewed portfolio returns, beta, tracking errors, sharpe ratio and up capture/down capture of all considered managers. After reviewing mock portfolio returns with each replacement fund and discussion amongst the Board, it was determined T. Rowe Price Large Cap Growth is the most suitable and cost-efficient replacement.

Motion made by Lockett, seconded by Park to replace Fred Alger Capital Appreciation fund with T. Rowe Price Large Cap Growth fund as an underlying manager in the Growth and Value Fund in the DC Lineup.

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

NAY: None

E. Consideration and Possible Action on Reallocation and/or Rebalancing of Assets Among Investment Managers as Recommended by the Investment Committee

No action taken.

7. Consideration and Possible Action Regarding Administrative Committee Report

No action taken. Annual Board Retreat is scheduled to be virtual on June 24, 2021.

8. Consideration and Possible Action Regarding Contract Committee Report

A. Approve Renewal of Excess Fiduciary Liability Policy as Recommended by the Contract Committee

Reames, Contract Committee Chair, presented a recommendation to renew the excess Fiduciary Liability insurance issued by Travelers Casualty and Surety Company of America with a policy premium of \$46,369 which includes \$10 million additional coverage per loss. Cox added since OkMRF has multiple policies with Travelers, a reduction in the Crime Policy premium approved last month was negotiated in the amount of \$1,141.

Motion made by Reames, seconded by Tinker to accept the renewal of the excess Fiduciary Liability insurance issued by Travelers for the term April 2, 2021 to April 2, 2022.

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

NAY: None

9. **Dean Actuaries, LLC: Consideration and Possible Acceptance of the Summary of Actuarial Funding Results July 1, 2020 – Sean Sullivan**

Sullivan presented the results of the actuarial funding report as of July 1, 2020 with funding rates effective July 1, 2021. The overall contribution rate increased by 0.1% for all Members, overall funding ratio is at 88.9% and is very strong compared to other public plans. Twenty-nine (29) plans are over 100% funded with ninety-eight (98) plans above the 80% funding level.

Sullivan continued the review by discussing funding issues of Members who continue to exhibit limited progress towards their unfunded status and historical market returns vs. the actuarial value returns and a brief overview of the plan summary and census statistics of active vs. passive participants.

Motion made by Lockett, seconded by Park to accept the Summary of Actuarial Funding Results, effective July 1, 2021, as prepared by Dean Actuaries, LLC.

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

NAY: None

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

Whatley reported on plan changes for the OkMRF members.

11. **OkMRF Staff Report**

Cox reported on the following items:

- Next month, TimesSquare will provide an investment review and Sullivan will present the actuarial GASB 68 results.
- The annual board retreat will be held virtually on Thursday, June 24, 2021 beginning at 9:00 a.m. Trustees to let Katie or Gloria know the physical address of where Trustees will be in attendance.
- The OML conference will be held in-person this year, September 7-9, 2021, with the Hall of Fame banquet on the evening of the 9th. Please let Gloria know if you would like a hotel room and if you will be attending the banquet.
- More information on the Public Fund conference will be released at a later date. Firefighters Pension will be hosting at WinStar Casino.
- A fee review was conducted by Cox, Deltra Hayes and Voya's National Strategic Market Leaders, all determined OkMRF's fees are not only in line with the industry, but above normal standards for our non-profit price. Hayes took Cox's inquiry one step further and conducted a fee assessment as OkMRF moves into the fifth year of the ten (10) year contract. This resulted in Voya agreeing to reduce our DC recordkeeping fees from 11bps to 9bps beginning July 1, 2021. This will save the Trust approximately \$75k per year and even more as assets grow.
- Election notices for District 5 and 6 will be mailed the first week of May. Nominations will remain open until 6/30/2021. Tim Rooney and Melissa Reams are up for re-election.
- Cox will be working with the Administrative Committee to review previous year's goals of CEO and setting goals for 2021-2022. Any suggestions for upcoming goals can be sent to her or Robert, as Administrative Chair.
- The Contract Committee will be conducting a virtual due diligence meeting with DB custodian, Northern Trust, which is tentatively scheduled for June 10, 2021. One additional Trustee, who is not a member of the Contract Committee, will be able to participate. If interested, let Cox know.

- Update on HIIQ: The court granted final approval of an \$11 million settlement, the plan allocation and the request for attorney's fees. OkMRF will also be receiving a reimbursement check for Cox's time spent on the case which will go towards the Administrative Fund to help offset expenses. Next steps will include a claims administrator processing the submitted claims and preparing checks to all Class Members. This process can take up to a year or more.

12. New Business
None.

13. Trustee/Member Comments

Luckett expressed appreciation of Cox's efforts in reducing administrative cost associated with DC recordkeeper fees at Voya stating this is a substantial long-term cost savings to the fund.

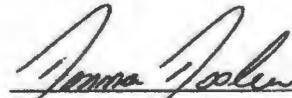
Whatley confirmed attendance of the following Trustees: In-person; Doolan, Johnston, Luckett, Park and Tinker (*left at 11:57 a.m.*). Video: Dunham, Johnson, Rooney and Reames (*left at 11:57 a.m.*).

14. Adjourn

With no further business to conduct meeting adjourned.

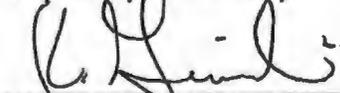


Robert Park, Secretary



Donna Doolen, Chair

Respectfully submitted by:



Katie Girardi