

MINUTES
BOARD OF TRUSTEES
OKLAHOMA MUNICIPAL RETIREMENT FUND
September 24, 2021

1. Call To Order

The Board of the Oklahoma Municipal Retirement Fund met at Oklahoma Municipal Retirement Fund Offices, Oklahoma City, Oklahoma, on September 24, 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 (*via video*)
Vice-Chair: Robert Johnston, City Manager, City of Clinton
Treasurer: Jim Luckett, Jr., Retiree, City of Thomas
Secretary: Robert Park, Retiree, City of Sallisaw (*via video*)
Members: Joe Don Dunham, City Manager, City of Guymon
Tamera Johnson, Retiree, City of Shawnee
Melissa Reames, Deputy City Manager & Chief Financial Officer, City of Stillwater (*via video*)
Ed Tinker, Retiree, City of Glenpool

OTHERS PRESENT:

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

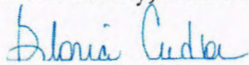
OkMRF Attorney: David Davis

Others: Kevin Moore, ACG (*via video*)
Jonathan Haller, ACG (*via video*)

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

Doolen welcomed everyone and called the meeting to order.

NOTICE: The agenda for the September 24, 2021 meeting was posted in Columbus Square, Oklahoma City, Oklahoma, by Gloria Cudjoe by 10:00 a.m. on September 23, 2021.



Signature(s)

2. Approval of Consent Agenda

The following items were presented under the consent agenda.

A. Minutes of August 26 and August 27, 2021 Meeting(s)

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

Option	Value By Fund
Defined Benefit	\$ 764,233,221.40
International Investment Equity	\$ 10,285,668.71
Aggressive Equity	\$ 22,707,276.93
Real Assets Fund	\$ 743,402.90
ESG US Stock Fund	\$ 1,534,761.64
Global Equity	\$ 11,739,767.73
Growth and Value Equity	\$ 28,971,580.36
S & P 500 Index	\$ 39,392,329.28
Target Retirement 2065	\$ 154,181.79
Target Retirement 2060	\$ 5,776,029.37
Target Retirement 2055	\$ 7,747,330.53
Target Retirement 2050	\$ 12,717,331.30
Target Retirement 2045	\$ 16,455,483.15
Target Retirement 2040	\$ 22,157,612.82
Target Retirement 2035	\$ 29,572,984.18
Target Retirement 2030	\$ 33,896,129.96
Target Retirement 2025	\$ 46,805,898.31
Target Retirement 2020	\$ 36,285,869.22
Target Retirement Income	\$ 22,828,371.28
Total Yield Bond Fund	\$ 6,905,450.95
Bond Index	\$ 16,604,072.93
Voya Fixed Plus III	\$ 42,317,676.17
Loan Portfolio	\$ 8,118,381.72
Self Directed Brokerage	\$ 308,313.39
Total Assets	\$ 1,188,259,126.02

C. Purchases and Sales of Assets

D. Administrative Expenses and Fees

Expenses and Fees for September

Actuary & Recordkeeping	\$ 46,393.67
Administration	103,293.62
Attorney	4,250.00
Audit	0.00
Board Travel	1,448.88
Employer Directed Expense	0.00
Insurance	0.00
Investment Advisors	0.00
Custodial	9,344.14
Investment Consultant	0.00
Public Relations	2,295.94
Representative Travel	<u>2,027.89</u>
EXPENSES	<u>\$ 169,054.14</u>

E. Benefit Payments and Contribution Refunds

F. Acknowledgement of Receipt of Ninety One International Dynamic Equity Fund, a Series under Ninety One Global Select LLC, Revised Management Fee and Expenses Schedule, Amended and Restated Confidential Private Offering Memorandum and the Offering Supplement dated October 1, 2021

G. Acknowledgement of Receipt of Amended Fee Schedule Changes for Harding Loevner Emerging Markets Fund Institutional Class Z for the Defined Benefit Plan Effective July 1, 2021 and the Emerging Markets Collective Investment Trust Class A for the Defined Contribution Plan Effective October 1, 2021

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

Motion carried: AYE: Doolen, Dunham, Johnson, Johnston, Luckett, Park, Reames 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. **Consideration and Possible Action Regarding Investment Committee Report**

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

Moore began by introducing colleague, Jonathan Haller, research analyst for private markets with ACG. Moore continued presentation with a general economic overview noting strong returns through the end of August with markets hitting all-time highs. Throughout September, markets shifted downward into negative territory due to uncertainties around the delta COVID-19 variant, inflation, stricter regulatory restrictions in China and the continued bottleneck of supply chains around the world. These types of fears have caused economists to decrease projected U.S. GDP growth to less than 6.0% for the remainder of 2021. During the Federal Reserve's recent meeting, it was determined they will begin their balance sheet reduction program in November as a result of their efforts to stabilize markets during the pandemic. While this approach will be executed over several months, afterwards the Fed is expected to begin raising interest rates in late 2022 or early 2023.

Moore continued with a review of ASAP reports noting the DB's total portfolio return year-to-date of 10.65% net of fees and assets totaling \$765 million. Long-term returns continue to be strong on both a relative and absolute basis and well above the 7.25% assumed rate of return. Small/mid cap equity underlying managers reported slight underperformance due to not holding the stronger performers within the broad benchmark, such as AMC, GameStop, and other low-quality companies. ACG has had ongoing discussions with River Road concerning their high cash balance and fee structure. They hope to have more information at the next Board meeting. Non-U.S. active equity managers are hesitant on investing meaningfully in China due to stricter regulatory restrictions, ultimately causing an underweight to China and Chinese property sectors as managers remain mindful of risks. Active management of the fixed income portfolio proved to be beneficial reporting 1.14% year-to-date returns, gross of fees, while the index reported negative returns of 0.69%. Real estate managers have positioned their portfolios to be resilient and long-term in nature, providing outperformance of the index of over 300 basis points.

Moore concluded the presentation with a general overview of the DC portfolio. All customize white-label funds continue to perform in-line with expectations with strong returns over all reported time periods. Target date retirement funds continue to be utilized by participants totaling over \$255 million in assets and 55% of total DC plan assets.

B. **ACG: Consideration and Possible Action to Develop Board Direction and Next Steps in the Defined Benefit Real Assets Implementation as Recommended by the Investment Committee and Rejection or Approval of any Amendments Proposed and Considered by the Trustees at the Meeting**

Moore began discussion by providing background on previous education presented to the Board to review potential enhancements to the DB portfolio's asset allocation. Based on previous discussions, ACG compiled information on how to best implement an additional open-end private real assets strategy into the DB plan to increase the real asset target allocation to 10.0% and reduce the fixed income allocation by 5.0%. ACG sought Board direction to narrow the focus down on which two (2) of the three (3) presented managers does the Board

want to begin the process to determine if they are a potential fit in the DB portfolio. Moore noted ACG's extensive long-standing relationship with the three (3) managers presented.

Haller continued the discussion by presenting a risk and return graph by strategy, highlighting current JPMorgan real estate allocations in the Core and Core plus space, while integrating three (3) potential managers. Haller provided a general overview of each potential manager. All prospective managers presented are an open-end vehicle valued on a quarterly basis with quarterly liquidity, presenting a long-standing track record of over 15 years, large fund sizes and similar management fee structures with incentives.

Next, Haller reviewed the standard deviation of considered managers over a ten (10) year period. With the addition of any of the three (3) prospective managers, returns increased without adding any additional risk in the 10-year time frame. Noting that in the 15-year time frame, two managers increased risk and return, but one of the managers decreased the risk profile while increasing returns.

Moore continued discussion with proposing the recommendation of agreeing on two (2) potential open-end managers to present a deeper dive next month to the Board. Tinker questioned the possibility for ACG to find an appropriate manager who invests in Oklahoma. Moore reiterated the Board's liquidity hesitation with a closed-end fund. Moore explained it was their understanding, based on direction from the Investment Committee and Board meeting last month, they were to bring back managers who would fulfill the need for further asset allocation while being respectful of the Board's liquidity concerns. As such, during ACG's due diligence, they were unable to find an appropriate open-ended Oklahoma based real assets fund that did not present long-term lock-up periods. Luckett discussed an historical private equity investment that caused transparency concerns for the Fund and the structure of OkMRF being a voluntary retirement program. He proposed an alternative for the Board to consider investing in a building to house the OkMRF offices to handle potential staff growth over the coming years. Park supported Luckett's alternative to begin discussion on the process of investing in an OkMRF building. Cox reminded the Board the contract in place with Oklahoma Police Pension Retirement System does not expire until December 2027. Tinker suggested a Resolution be authored to show the Board's intent outlining steps towards an OkMRF investment in their own building in addition to the ACG recommended 5% real asset allocation increase. Cox will work with Davis on a Resolution to be brought before the Board in October.

Motion made by Luckett, seconded by Johnston to allow ACG to compile and present further information on two (2) managers at October's Board meeting and then potentially conduct interviews at November's Board meeting, in addition for Staff to prepare a proposed Resolution for a strategic vision towards acquisition of an OkMRF building in the future.

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

NAY: None

C. 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 Trustees at the Meeting

No action taken.

6. Consideration and Possible Action Regarding Administrative Committee Report

A. Discussion and Possible Action to Early Implement Defined Contribution Fee Restructure as Recommended by the Administrative Committee and Rejection or Approval of any Amendments Proposed and Considered by the Trustees at the Meeting

Cox provided an overview of how administration fees have historically been asset based and deducted directly from Participant account balances based on the annual adopted budget. For the fiscal year 2021-2022, the Board adopted a 25 bps fee structure for DC Participants. Cox reminded the Board that it was also approved to use the DC administrative reserve account to offset DC expenses by \$7,500 per month. This usage was proposed, since the two prior fiscal year budgets came in favorably and the reserve account was in surplus. Therefore, it was the Board's intent to pass along the savings to the Participants. After extensive study conducted by Cox, the Administrative Committee, Davis, Reames and Voya administration, it was determined that a usage fee would be a more fair and equitable approach to assessing fees than an asset based fee. Cox discussed a four (4) tiered fee schedule during the approval of the budget at the May 27, 2021, Board meeting for implementation in FY 22-23. It was determined by Voya administration that the new tiered schedule could be implemented early, if OkMRF desired.

Therefore, the Committee proposes the following four (4)-tiered fee approach for fees collected from DC Participant accounts to pay DC related expenses for January through June 2022.

	<u>Annual Fee</u>	<u>Monthly charge</u>
Balance over \$100,000	\$390	\$32.50
Balance between 50k – 100k	\$240	\$20.00
Balance between 15k – 50k	\$126	\$10.50
Balance less than \$15,000	\$ 45	\$ 3.75

The flat fees charged will be reviewed annually during the budget process for appropriateness to support the next year's budget and are subject to change.

Motion made by Johnston, seconded by Tinker to approve the early implementation of proposed Defined Contribution fee restructure effective December 1, 2021 as presented.

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

NAY: None

7. Consideration and Possible Action Regarding Contract Committee Report

No action taken.

8. **Consideration and Possible Action Regarding the Trustee Election Results**

Cox presented the District 5 election results – Melissa Reames did not draw an opponent, declaring her the winner. District 6 – Fourteen (14) total voting members elected Tim Rooney as the winner.

Motion made by Rooney, seconded by Park to approve Trustee election results for District 5 and District 6.

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

NAY: None

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

Whatley reported on plan changes for the OkMRF members.

10. **OkMRF Staff Report**

Girardi expressed her appreciation to all the Trustees who helped at the OML Annual Conference.

Cox reported on the following items:

- At next month's meeting:
 - ACG will present an ASAP refresher course at 9:00 a.m. prior to the regular Board meeting. Trustees noted as attending are Johnson, Dunham and Rooney. Let Cox know if you would like to attend so ACG can forward on materials.
 - Artisan will conduct an overview of the International Value Portfolio.
 - Board officers will be elected next month. Let fellow Board Members know if interested in being in an officer position.
 - The 2022 meeting calendar will be presented for discussion and approval. Let Cox know of any conflicting dates for Board meetings.
- Board members were polled on annual Thanksgiving and Christmas meals. Consensus to only have a Christmas luncheon.
- Whatley is heading the Christmas committee and will be advising Staff and Trustees of plans for an adopted family for OkMRF philanthropic event.
- Expressed thankfulness to Johnson, Dunham, Park, Tinker, Rooney and Johnston for their assistance at the OML Annual Conference. Also thanked Girardi and Porter for their coordination of this year's event, along with Whatley assisting as announcer. Attendees raised \$4,834 for the raffle charity recipient, Keep Oklahoma Beautiful.
- Oklahoma Public Trustee Education Conference begins on September 29th. Trustees should have received a revised agenda by email and the link for the virtual attendees will be sent soon. Those Trustees attending in-person are Dunham, Johnson, Tinker and Park.
- Additional conference opportunity from P2F2 is on October 19th and 20th with a registration deadline of September 30th. Currently Doolen is the only Trustee registered. Advise if you would like to attend.

11. **New Business**

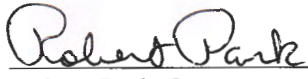
None.

12. **Trustee/Member Comments**

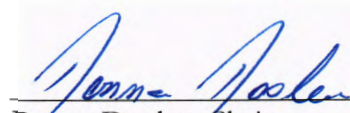
None.

13. Adjourn

With no further business to conduct meeting adjourned.



Robert Park, Secretary



Donna Doolen, Chair

Respectfully submitted by:


The seal is circular with a dotted border. The text 'OKLAHOMA MUNICIPAL RETIREMENT FUND' is written around the perimeter. In the center, the word 'SEAL' is printed in large, bold, capital letters. Below 'SEAL', there is a handwritten signature in blue ink. A small star is located at the bottom center of the seal.

Katie Girardi