

MINUTES
BOARD OF TRUSTEES
OKLAHOMA MUNICIPAL RETIREMENT FUND
May 26, 2022

1. Call To Order

The Board of the Oklahoma Municipal Retirement Fund met at Oklahoma Municipal Retirement Fund Offices, Oklahoma City, Oklahoma, on May 26, 2022, at 10:00 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 Lockett, Jr., Retiree, City of Thomas
Secretary: Robert Park, Retiree, City of Sallisaw
Members: Joe Don Dunham, Finance Director, City of Lawton
Tamera Johnson, Retiree, City of Shawnee (*via video*)
Melissa Reames, Deputy City Manager & Chief Financial Officer, City of Stillwater
Tim Rooney, City Manager, City of Mustang

OTHERS PRESENT:

OkMRF Staff: Jodi Cox, CEO & Director
Chris Whatley, Plan Advisor & Portfolio Strategist
Rhnea Stewart, Fund Accountant
Katie Girardi, Plan Administrator

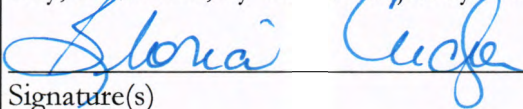
OkMRF Attorney: David Davis

Others: Haley Rives, ACG
Dylan Strober, Harding Loevner (*via video*)
Raymond Vars, Harding Loevner (*via video*)
Dan Bledsoe, Finley & Cook (*via video*)
Joe Ebisa, With Intelligence (*via video*)

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 May 26, 2022, meeting was posted in Columbus Square, Oklahoma City, Oklahoma, by Gloria Cudjoe by 10:00 a.m. on May 25, 2022.


Signature(s)

2. Approval of Consent Agenda

The following items were presented under the consent agenda.

A. Minutes of April 29, 2022 Meeting(s)

B. Monthly Valuation of Fund Assets & Unit Values by Custodian as of April 30, 2022

| Option | Value By Fund |
|---------------------------------|---------------------|
| Defined Benefit | \$ 684,590,929.85 |
| International Investment Equity | \$ 8,417,529.42 |
| Aggressive Equity | \$ 17,531,564.32 |
| Real Assets Fund | \$ 1,280,639.32 |
| ESG US Stock Fund | \$ 1,291,864.41 |
| Global Equity | \$ 10,612,981.58 |
| Growth and Value Equity | \$ 23,255,847.83 |
| S & P 500 Index | \$ 35,608,911.96 |
| Target Retirement 2065 | \$ 135,613.73 |
| Target Retirement 2060 | \$ 6,102,527.00 |
| Target Retirement 2055 | \$ 7,021,350.44 |
| Target Retirement 2050 | \$ 11,682,997.35 |
| Target Retirement 2045 | \$ 14,953,835.23 |
| Target Retirement 2040 | \$ 19,473,861.22 |
| Target Retirement 2035 | \$ 26,457,096.70 |
| Target Retirement 2030 | \$ 28,319,931.98 |
| Target Retirement 2025 | \$ 41,866,517.04 |
| Target Retirement 2020 | \$ 27,592,440.95 |
| Target Retirement Income | \$ 22,021,925.59 |
| Total Yield Bond Fund | \$ 5,650,614.47 |
| Bond Index | \$ 14,732,391.15 |
| Voya Fixed Plus III | \$ 48,183,852.00 |
| Loan Portfolio | \$ 7,373,635.08 |
| Self Directed Brokerage | \$ 287,111.51 |
| Total Assets | \$ 1,064,445,970.13 |

C. Purchase and Sales of Assets for April 2022

D. Administrative Expenses and Fees

Expenses and Fees for May

| | |
|---------------------------|-----------------------------|
| Actuary & Recordkeeping | \$ 43,099.14 |
| Administration | 111,445.71 |
| Attorney | 0.00 |
| Audit | 21,500.00 |
| Board Travel | 1,577.86 |
| Employer Directed Expense | 2,888.00 |
| Insurance | 0.00 |
| Investment Advisors | 0.00 |
| Custodial | 11,794.39 |
| Investment Consultant | 0.00 |
| Public Relations | 5,119.69 |
| Representative Travel | <u>2,701.35</u> |
| EXPENSES | <u><u>\$ 200,126.14</u></u> |

E. Benefit Payments and Contribution Refunds for April 2022

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

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

NAY: None

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

No action taken.

4. Comments from the Public

None.

5. Harding Loevner: Annal Update from Investment Managers – Dylan Strober and Raymond Vars

Strober began the presentation by thanking OkMRF for their continued relationship and introduced Raymond Vars, Portfolio Specialist. Vars continued presentation stating Harding Loevner's assets under management were reported as \$74 billion at the end of March with the International strategy representing 55% and the Emerging Markets strategy representing 16% of total assets. Vars provided a team update indicating co-lead portfolio manager of the Emerging Markets strategy, Craig Shaw, will take a step back from responsibility effective July 1st but will remain involved with the fund.

Vars continued with a performance review of the Emerging Markets strategy held in both the DB and DC portfolios. One (1) year trailing returns were down 21.75% and 21.57%, underperforming the benchmark by 10.0% due to Russian and Eastern European company holdings. Rives questioned their current Russian allocation. Vars stated while the holdings are marked to zero value and the ability to trade is nonexistent, Harding Loevner has taken the steps to preserve the option value and hopes to shift the Russian shares to local shares. Currently, there is zero allocation to Russian companies within the strategy. Harding Loevner will continue to monitor other regional allocations within the portfolio and future holdings in Russia will be limited to a 5.0% allocation. Vars stated the portfolio continues to be focused on diversification and is actively looking to increase high-quality Chinese companies whose goals are more aligned with the Chinese government and recent regulatory changes.

Vars then reviewed the International Equity strategy held in the DC portfolio. One (1) year trailing returns were down 4.18%, underperforming the index by 2.7% yet the strategy continues to outperform in the three (3), five (5), and inception time frames. Style headwinds, such as quality, growth, and valuations, were the main detractor during the first quarter of 2022. The best performing companies were those of lower quality, less expensive, and slower growth while this strategy aims to invest in companies of higher quality, faster growth, and often more expensive.

Looking forward, Vars stated both strategies will continue to seek high quality companies trading at a deep discount to potentially lead to outperformance in the future.

6. Consideration and Possible Action Regarding Investment Committee Report

A. ACG: Review of Monthly ASAP Reports

Rives stated both herself and Moore will attend the Trustee Retreat in June. Rives began her presentation by providing a market overview stating global equities are down 16% and bonds are down 8.5% year-to-date causing investor to struggle as the two assets are normally inversely correlated. The two positive asset classes have been real estate and private equity markets as inflation continues to tick up. Consumer concerns have shifted from COVID to inflationary pressures as the Fed continues to be aggressive with interest rate increases and looks to raise rates another 50 basis points during their next two (2) meetings. The stock market's reaction to the aggressiveness of the Fed has been negative as investors move away from technology, healthcare, and biotech sectors due to their need for a healthy economic environment and economic growth expectations now lower in both the U.S. and China. On a positive note, unemployment remains incredibly low, minimum wage is increasing, growth and profits are still positive, and consumer confidence remains stable. While every sector of the market is being challenged right now, Rives reiterated these are not fundamental issues the majority of companies are facing.

Rives continued the discussion with an overview of the DB portfolio. Total portfolio returns for the ten (10) year annualized time frame continue to outperform the index at 8.35%. The

portfolio currently sits overweighted in U.S. equities due to the anticipated funding of Clarion Industrial Trust later in the year. Performance, from an absolute basis, has struggled with the only positive returns coming from real estate. From a relative standpoint, fixed income has mitigated some risk and provided downside protection. The largest challenge for the portfolio, especially in the long/short allocation, has been equity markets, with the lowest quality companies outperforming the highest quality companies. Long/short managers tend to short lower quality companies and this position has hurt returns for the year and not providing the expected protection in a down market.

Rives commented on TimesSquare's recent announcement of co-portfolio manager, Tony Rosenthal's retirement in early 2023. With this announcement, along with recent material investor exits and underperformance, ACG is recommending a search for a replacement small/mid cap growth manager within the DB portfolio. To conclude, Rives reviewed the positive returns of the real estate allocation. With inflation continuing to be problematic, the income component and capital appreciation of real estate provided 27.53%, net of fee returns for the past year.

Rives ended her presentation with a general overview of the DC portfolio. Due to absolute weak performance for the year, some stronger relative performance over many years is being affected. Rives reiterated her equity and fixed income market comments but did note strong traction in the Real Assets option, providing investors exposure to commodities for inflation protection.

B. ACG: Consideration and Possible Action to Conduct a search to Replace SMID Growth Manager, if deemed Necessary, within the Defined Benefit Portfolio as Recommended by the Investment Committee and Rejection or Approval of an Amendments Proposed and Considered by the Trustees at the Meeting

Rives commented due to material investor exits, and the announcement of co-lead portfolio manager and a founding partner's retirement, ACG is recommending a money manager replacement of TimesSquare's small/mid cap growth strategy within the Defined Benefit portfolio. ACG will prepare and present a list of potential replacement managers for review at the June Board meeting. Potential candidates will be interviewed at the Investment Committee meeting on July 28th with a possible recommendation made to the Board on July 29th. The transition agreement with custodian, Northern Trust, will be reviewed and updated prior to replacement.

Motion made Lockett, seconded by Park to terminate SMID Growth Manager, TimesSquare, within the Defined Benefit Portfolio and instruct ACG to compile a list of replacement money managers to be presented to the Board.

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

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 Trustee at the Meeting

Motion made by Lockett, seconded by Park to rebalance the Defined Benefit portfolio as recommended by ACG: Redeem \$32 million from SSgA S&P 500 Non-Lending fund within

the U.S. Large Cap Equity portfolio with \$25 million funding Real Assets, Clarion Lion Industrial Trust as called capital is required and \$7 million to fund future pension benefit payouts.

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

NAY: None

7. **Consideration and Possible Action Regarding Administrative Committee Report**

A. **Consideration of Adoption or Rejection of the 2022-2023 Budget as Recommended by the Administrative Committee and Rejection or Approval of any Amendments Proposed and Considered by the Trustees at the Meeting**

Chairman of the Administrative Committee, Johnston met with respective committee members and CEO to review in detail the proposed 2022-2023 budget prior to the Board meeting. Cox provided the following comments: 2021-2022 fiscal year actual versus budgeted came in approximately \$200k under budget, Defined Contribution reserves of \$10k per month will be used to sustain newly implemented tiered fee schedule, Defined Benefit administrative fees increased to 24.64 basis points, Defined Contribution administrative fees increased to 25.81 basis points with no proposed amendments to the 2021-2022 budget at this time.

Motion made by Johnston, seconded by Dunham to approve 2022-2023 OkMRF Budget as recommended by the Administrative Committee.

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

NAY: None

Johnston left meeting at 11:27 a.m. – quorum present

B. **Discussion and Possible Action Regarding OkMRF Trust Allowing for the Issuance of Individual Loans to OkMRF Member Municipalities to be Considered Part of the Overall DB Investment Portfolio as Recommended by the Administrative Committee and Rejection or Approval of any Amendments Proposed and Considered by the Trustees at the Meeting**

Davis provided a legal summary of a confidential memorandum regarding the issuance of individual loans to OkMRF member municipalities. Davis collaborated with CEO, John Papahronis, and Finley & Cook Partner to perform extensive due diligence. Research concluded the Internal Revenue Code (IRC)(26 USC 503) could view a loan to a municipal member as a prohibited transaction causing OkMRF to lose its tax-exempt status, as well as showing preferential treatment. Davis and Cox to prepare a letter denying any requests.

Motion made by Doolen, seconded by Lockett to not allow the issuance of a loan to OkMRF members due to the possibility that the IRC could consider this transaction as a prohibited transaction which could jeopardize the tax exempt status of the organization and deem the OkMRF plan disqualified; we further request that Davis and Cox prepare a joint letter denying the request.

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

NAY: None

ABSENT: Johnston

Johnston returned to meeting at 11:34 a.m.

8. **Consideration and Possible Action Regarding Contract Committee Report**

No action taken.

9. **Finley & Cook: Consideration and Possible Action Regarding the Receipt of the June 30, 2021, Defined Benefit Examination Report Over Selected Management Assertions Related to Census Data and Rejection or Approval of any Amendments Proposed and Considered by the Trustees at the Meeting**

Bledsoe reviewed report and stated no exceptions or variances exceeding 5.0% were found related to census data. The opinion was issued that the agreed upon assertions of census data are fairly stated in all material aspects and can be relied on by Members of the OkMRF Defined Benefit plans for their GASB 68 reporting requirements.

Motion made by Reames, seconded by Rooney to receive the Report.

Motion carried:

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

NAY: None

10. **Finley & Cook: Consideration and Possible Action Regarding the Receipt of the June 30, 2021, Defined Benefit Schedule of Changes in Fiduciary Net Position by Employer and Rejection or Approval of any Amendments Proposed and Considered by the Trustees at the Meeting**

Bledsoe reported the opinion issued was based on audit evidence obtained and the Schedule presents fairly and in all material aspects, the Fiduciary Net Position of OkMRF and each individual employer in accordance with GAAP.

Motion made by Reames, seconded by Rooney to receive the Schedule.

Motion carried:

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

NAY: None

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

Whatley reported on plan changes for the OkMRF members and those members who have adopted the restated master plan and joinder.

12. **OkMRF Staff Report**

Girardi reported on NCPERS conference held in Washington, D.C., and attended with Trustee, Rooney. Many presentations focused on private markets and alternative investments. Securities litigation was a topic of interest. Delegate designation was used to elect OPPRS Executive Director, Ginger Sigler, to NCPERS Board of Trustees.

Cox reported on the following items:

- Next month, SSgA will provide investment overview.
- Chairman Doolen and Cox will sign the two representation letters on behalf of OkMRF for Finley & Cook.
- Trustee Retreat is scheduled to be held at OkMRF office on June 23rd at 9:00 a.m. Agenda to follow. Trustees should let Cox know if they require a hotel room.
- Trustee election notices for District 3 and 8 have been mailed. Chairman Doolen is seeking reelection for District 3. Dunham is not seeking reelection for District 8. Nominations will remain open through the end of business on June 30th.
- Registration for those Trustees attending OPFTEC will be completed.
- Waiting on OML to release information on host hotel for Annual Conference in September.
- Mayor's Conference to be held June 22nd to 24th in Durant. Girardi to attend.
- Summer CMAO conference to be held July 20th to 22nd in Norman.

13. New Business

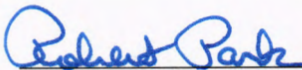
None.

14. Trustee/Member Comments

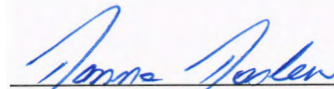
Luckett urged Trustees and Staff to review Clarion Lion's recent quarterly report publication posted to the Trustee web site. Luckett was impressed with their due diligence and transparency.

15. Adjourn

With no further business to conduct the meeting adjourned.

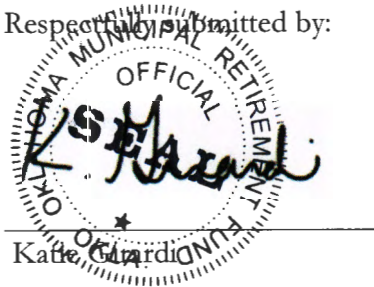


Robert Park, Secretary



Donna Doolen, Chair

Respectfully submitted by:



Kate Girardi