

MINUTES
BOARD OF TRUSTEES
OKLAHOMA MUNICIPAL RETIREMENT FUND
July 29, 2022

1. **Call To Order**

The Board of the Oklahoma Municipal Retirement Fund met at Oklahoma Municipal Retirement Fund Offices, Oklahoma City, Oklahoma, on July 29, 2022, 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 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
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 video*)
Katie Girardi, Plan Administrator

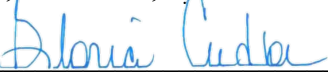
OkMRF Attorney: David Davis

Others: Kevin Moore, ACG
Andrew Beck, River Road
Ben Brady, River Road (*via video*)
Sean Sullivan, Dean Actuaries
Troy Bradley, Midwest City (*via video*)
Kevin Balaod, With Intelligence (*via video*)
Gar Chung, FIN News (*via video*)

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

Doolen welcomed everyone and called the meeting to order.

NOTICE: The agenda for the July 29, 2022, meeting was posted in Columbus Square, Oklahoma City, Oklahoma, by Gloria Cudjoe by 10:00 a.m. on July 28, 2022.



Signature(s)

2. Approval of Consent Agenda

The following items were presented under the consent agenda.

A. Minutes of June 24, 2022, and Retreat Minutes of June 23, 2022 Meeting(s)

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

Option	Value By Fund
Defined Benefit	\$ 648,555,677.30
International Investment Equity	\$ 7,860,742.29
Aggressive Equity	\$ 15,377,014.63
Real Assets Fund	\$ 1,042,081.03
ESG US Stock Fund	\$ 1,086,121.87
Global Equity	\$ 9,774,969.30
Growth and Value Equity	\$ 20,811,672.17
S & P 500 Index	\$ 32,221,103.14
Target Retirement 2065	\$ 157,401.77
Target Retirement 2060	\$ 5,766,735.90
Target Retirement 2055	\$ 6,560,732.56
Target Retirement 2050	\$ 10,750,073.79
Target Retirement 2045	\$ 14,028,048.24
Target Retirement 2040	\$ 18,242,698.40
Target Retirement 2035	\$ 24,365,979.55
Target Retirement 2030	\$ 26,269,427.77
Target Retirement 2025	\$ 38,197,164.78
Target Retirement 2020	\$ 24,205,872.30
Target Retirement Income	\$ 19,100,266.14
Total Yield Bond Fund	\$ 5,715,678.16
Bond Index	\$ 14,583,599.85
Voya Fixed Plus III	\$ 53,869,451.38
Loan Portfolio	\$ 7,729,436.93
Self Directed Brokerage	\$ 263,400.04
Total Assets	\$ 1,006,535,349.29

C. Purchase and Sales of Assets for June 2022

D. Administrative Expenses and Fees

Expenses and Fees for July

Actuary & Recordkeeping	\$ 41,098.61
Administration	124,964.49
Attorney	3,750.00
Audit	0.00
Board Travel	3,149.63
Employer Directed Expense	3,987.00
Insurance	16,549.00
Investment Advisors	136,615.54
Custodial	9,615.32
Investment Consultant	0.00
Public Relations	750.00
Representative Travel	2,352.07
EXPENSES	\$ 342,831.66

E. Benefit Payments and Contribution Refunds for June 2022

F. Acknowledgement of Receipt of the JPMorgan Core Bond Institutional Trust Amended and Restated Confidential Offering Memorandum and the Offering Supplement dated June 28, 2022

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

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

ABSTAIN: Reames

NAY: None

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

No action taken.

4. Comments from the Public

None.

5. River Road: Annual Update from Investment Managers – Andrew Beck and Ben Brady

Beck began his presentation with a company update. Employees have started to return to the office with a hybrid schedule in place. River Road is currently working on a three (3) year initiative to integrate ESG assessment criteria into their overall conviction process. They see ESG trends impacting capital flows creating new risks and opportunities in the small-cap value market. They plan to integrate the ESG criteria into their normal four (4) point evaluation, focusing heavily on the governance aspect. Beck stated as the investment universe continues to evolve and becomes harder to generate alpha, River Road's biggest future investment will be in its data management team. There has been little turnover within the organization, but Jim Shircliff, senior portfolio manager, is expected to retire within the next two (2) years yet remain a part of the team as an executive advisor. He will be replaced by Justin Akin.

Due to a deep pullback in the market, the strategy reported assets of \$10.5 billion in assets as of June 20th. The small-cap value strategy remains closed to new investors, but additional subscriptions are being accepted from current clients. The current bear market, which started in April 2020, continues to be a headwind for small-cap value investors. Beck stated the strategy continues to monitor the rising ten (10) year treasury yield as a good indicator for when value companies normally outperform growth companies. River Road's larger than normal cash position was discussed and Beck reiterated their strategy style of investing in companies with high quality and low beta. As higher beta companies continue to outperform this is presented as a headwind to the strategy as they will not deploy capital unless it is considered the best possible opportunity. Beck stated any cash position less than three (3) percent is considered fully invested in their view. Second quarter returns for the strategy were down 8.95% but outperformed the benchmark by 633 basis points. Longer term returns remained positive reporting 8.03% and 11.18% for five (5) year and ten (10) year terms, outperforming the benchmark by 200-300 basis points.

Future outlooks for the strategy will be shaped based on different economic outcomes. Pent-up demand will move the economy, but the job market has begun to soften, interest rates remain high but stable, and supply chain processes continue to hurt even though inflationary pressures have begun to ease. River Road monitors specific market indicators to deploy capital and will remain focused on companies with pricing power around products and their ability to successfully pass on price increases to consumers.

6. Consideration and Possible Action Regarding Investment Committee Report

A. ACG: Review of Monthly ASAP Reports

Moore began the presentation with a general market overview stating the current environment has investors in "a lot of pain" with continued pullbacks and volatility. Moore reminded Trustees of the 27.5% return for the previous fiscal year keeping longer term returns over the 7.25% interest rate hurdle. Inflation remains prevalent and ACG predicts future interest rate hikes from the Fed.

DB portfolio assets at the end of the fiscal year were reported at \$646 million with a ten (10) year annualized return of 8.00%, outperforming the policy index of 7.76% while taking on less risk. Actual portfolio allocations are currently underweight in equities but offset by cash

earmarked for the second tranche of capital to be called by Clarion Lion Industrial Trust early in the fourth quarter. Portfolio year-to-date return, net of fees, is down 15.81% due to inflation, interest rate hikes, and the potential for a recession playing into investors' minds. All asset classes, except for Real Estate, reported negative returns through the end of the fiscal year, but long-term performance remains strong with moderate outperformance of their respective benchmarks. Moore stated as Real Estate returns are in a lag compared to public markets, muted returns are expected over the next few quarters.

Moore's comments on the DC portfolio mirrored the DB portfolio in regard to painful short-term performance. While longer term performance has been affected in the past year, the majority of managers continue to outperform their respective benchmarks. Target Retirement Date funds account for over 50% of the DC assets and have seen negative returns in recent quarters but remain positive in the three (3) and five (5) year time frames.

B. ACG: Consideration and Possible Action Regarding Hiring SMID Growth Manager for the Defined Benefit Portfolio as a Component of the Aggressive Equity Option in the Define Contribution Plan as Recommended by the Investment Committee and Rejection or Approval of any Amendments Proposed and Considered by the Trustee at the Meeting

Luckett expressed appreciation to ACG, Investment Committee, and other Trustees for their attendance, due diligence, and input at the Investment Committee meeting the previous day. The Investment Committee received presentations from two (2) qualified candidates with similar structures and investment performance. The Investment Committee recommends to the Board based on the previous day's interviews, ACG's search analysis, and discussions hiring William Blair as the replacement SMID cap growth manager within the DB portfolio's small/mid-cap equity component, as well as the replacement manager in the Aggressive Equity option in the DC plan.

Motion made by Luckett, seconded by Tinker to allow Staff and Davis to secure an investment management agreement to hire William Blair as the replacement SMID cap growth manager, with the intent of liquidating TimesSquare and allocating 50% to growth and 50% to value of the 10% U.S. Small/Mid Cap Equity component in the DB portfolio. Further requesting Staff use Northern Trust's transition management services to trade in the most efficient manner, if possible, holding back \$35,000 for administrative fee usage. Also allow Staff and Davis to secure a similar investment agreement to hire William Blair to replace TimesSquare within the Aggressive Equity option in the DC plan and furthermore, request Voya to rebalance as appropriate on their investment platform.

Motion carried: AYE: Doolen, Dunham, Johnson, Johnston, Luckett, Park, Reames, Rooney, 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 Trustee at the Meeting

No action taken.

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

No action taken.

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

Contract Committee Chair Reames, 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**

Reames reported the renewal for liability protections with a premium increase of \$1,676 from the prior year. Cox and OMAG agreed to review the premium increase due to OkMRF being different than their normal clients. OMAG will review and possibly issue a rebate. Davis reiterated the importance of the nature of this coverage.

Motion made by Reames, seconded by Dunham to approve renewal liability protection plan with OMAG for period August 1, 2022, through August 1, 2023.

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

Reames reported the renewal for personal property with a premium increase of \$85 from the prior year.

Motion made by Reames, seconded by Rooney to approve renewal of business personal property coverage with Hartford for the period of September 1, 2022, through September 1, 2023.

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

NAY: None

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

Reames reported the renewal for cyber security insurance with a premium increase of \$10,048 from the previous year. Due to cyber risks becoming more significant and breaches becoming more prevalent, the demand for cyber security insurance has increased substantially. Cox confirmed she did secure quotes from additional companies, but all came in at a significantly higher premium than the incumbent provider.

Motion made by Reames, seconded by Dunham to approve renewal of cyber security insurance with Beazley, underwritten by Lloyds of London, for the period of August 26, 2022, through August 26, 2023.

Motion carried: AYE: Doolen, Dunham, Johnson, Johnston, Lockett, Park, Reames, 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, 2022. Due to the market pullback, the market value weighted return was down 11.74% and the smoothed actuarial return was 6.82%, for the period ending, which does not meet the assumed rate of return. The actuarial value as a percent of market value was reported as 108%. The market experience resulted in an average cost decrease of 0.12% and a median decrease of 0.10%.

Motion made by Lockett, seconded by Johnston to receive the report from Dean Actuaries, LLC for the Projected Impact of Asset Experience on OkMRF Funding Requirements, effective for the year starting July 1, 2023.

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

NAY: None

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

Whatley reported on plan changes for the OkMRF members, those members who have adopted the restated master plan and joinder, and a new DC member, Town of Verden, recognizing Girardi for her efforts.

11. **OkMRF Staff Report**

Girardi reported on her participation in a recent webinar hosted by NAGDCA. She was a panelist discussing Best Board and Committee Practices. She attended the annual summer CMAO conference held in Norman.

Cox reported on the following items:

- Next month, the Investment Committee will meet in person at the OkMRF office at 1:00 p.m. on Thursday, August 25th. Other Board members are encouraged to attend. Please let Whatley know if you will be attending. The Investment Committee will review the long/short allocation, do a deeper dive on the June 30, 2022, quarterly report, and continue due diligence on the addition of private equity to the 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 18th and votes will be accepted through August 30th. District 3 has two (2) nominations: Incumbent, Donna Doolen, Finance Director of Ada and Elizabeth Sloat, Healdton City Clerk. District 8 has two (2) nominations: Shaun Barnett, Woodward City Manager and Michael Shannon, Guymon City Manager. To-date, no votes have been received for either district.

- Provided an update on the six (6) year DC IRS filing cycle. All DC documents and signed forms have been mailed to the IRS. Expressed appreciation for Baser, Girardi, Cudjoe, and John Papahronis for their collaboration on the project.
- This year's 2022 George Wilkinson award for being the OkMRF 2022 outstanding Authorized Agent was presented to Cheryl Rea, HR Director of Okmulgee at the July 19th council meeting. Cheryl's performance is exemplary, and she portrays many of George's attributes. Congratulations was extended to Cheryl on behalf of George, Board, and Staff.
- Worked with Davis to trademark our slogan "Together We Are Stronger." Future ad campaigns will be redesigned and rolled out in 2023.
- Reservations and agendas are provided for upcoming OML and Public Funds Conferences. Work schedules provided to those Trustees who offered to help at the OkMRF booth during the OML conference. This year's theme is "Adventure Oklahoma" and if attending, Trustees will receive their conference t-shirts to wear each day prior to the conference. Cox complimented Porter on the design.

12. **New Business**

None.

13. **Trustee/Member Comments**

None.

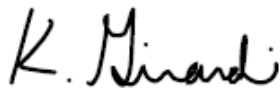
14. **Adjourn**

With no further business to conduct the meeting adjourned.

Robert Park, Secretary

Donna Doolen, Chair

Respectfully submitted by:



Katie Girardi