

MINUTES
A SPECIAL MEETING OF THE BOARD OF TRUSTEES OF THE
OKLAHOMA MUNICIPAL RETIREMENT FUND
June 23, 2022

1. Call To Order

The Board of the Oklahoma Municipal Retirement Fund met at the Oklahoma Municipal Retirement Fund, Oklahoma City, Oklahoma on June 23, 2022, at 9:05 a.m. for Trustee Retreat. No action taken, retreat is purely educational and for discussion purposes only.

BOARD OF TRUSTEES

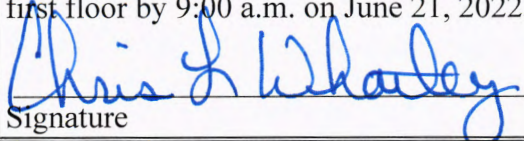
Chair: Donna Doolen, Finance Director, City of Ada
Vice-Chair: Robert Johnston, City Manager, City of Clinton
Secretary: Robert Park, Retiree, City of Sallisaw
Treasurer: Jim Lockett, Jr., Retiree, City of Thomas
Members: Joe Don Dunham, Finance Director, City of Lawton
Tamera Johnson, Retiree, City of Shawnee
Timothy Rooney, City Manager, City of Mustang
Ed Tinker, Retiree, City of Glenpool

OTHERS PRESENT:

OkMRF Staff: Jodi Cox, Executive Director/CEO
Chris Whatley, Plan Advisor & Portfolio Strategist
Rhnea Stewart, Fund Accountant

Others: Jonathan Cogan, BlackRock
Connor Ortolf, BlackRock (*via video*)
Sean Sullivan, Dean Actuaries
Chuck Dean, Dean Actuaries
Deltra Hayes, Voya Financial
Karen Eisenbach, Voya Financial
Haley Rives, ACG
Kevin Moore, ACG

NOTICE: The agenda for the June 23, 2022, Trustee Retreat meeting was posted at Oklahoma Municipal Retirement Fund, Oklahoma City, Oklahoma, in Columbus Square, first floor by 9:00 a.m. on June 21, 2022, by Chris Whatley.


Signature

2. **9:00 a.m. – OkMRF Portfolio Analysis and Liquidity Simulation**

Ortolf introduced Cogan and gave a brief background on the topic. The goal of the presentation was to project the amount of illiquidity the Defined Benefit (DB) Portfolio would need to accept at various levels of investment and the resulting impact on asset allocation if multiple OkMRF Members left the system and redeemed their respective assets from the portfolio. Cogan began with an explanation of the Blackrock Capital Market Assumptions and showed a hypothetical 5% reallocation to Private Equity or Infrastructure. Expected risk and return measures were plotted for asset classes followed by a correlation matrix.

Cogan next developed liquidity constraints using a Monte Carlo Simulation of outcomes. Within each simulation, a randomly selected number from 0-13 was used to determine how many plans would redeem each year. Then names of the withdrawing plans were randomly selected, and the redemption value used were based on plan values as of May 31, 2022. This simulation was then run 10,000 times. On average, just over 58% of the time the hypothetical redemption was equivalent to just 4.83% of the DB Portfolio. The median hypothetical redemption was 4.02% with a 4.25% standard deviation. Applying a 5% hypothetical reallocation into illiquid alternative investments meant the average hypothetical redemption of 4.83% would only increase the portfolio weighting to illiquid assets by 0.25% post redemption.

3. **9:45 a.m. – Impact of Covid**

Sullivan presented information on the impact of Covid-19 as it relates to retirement repercussions and its impact on mortality factors. During a 40-week period in 2020, mortality was 21.1% higher than expected with 80% of those deaths attributable to Covid-19. Life expectancy age declined at birth from the year 2019 to 2020 in 27 western countries with the U.S. having the largest decline, and in many of the countries, the decline offset the previous four (4) year gains. The Old Age, Survivors, and Disability Insurance adjusted mortality percentage higher for the impact of Covid-19 for the years 2020 through 2023, splitting age groups between 64 and under and 65 and over. The year 2021 reflected the highest percentage increase for both age groups.

Other thoughts to consider were discussed. Was the pandemic a one-time event, with an insignificant effect on future mortality? Will the population be healthier with stronger immune systems that could lower future mortality? Will the residual long-term effects on survivors increase future mortality? How long will it take for long-term effects to emerge? Will recurrences happen with familiar viruses? Will there be a new future pandemic?

Other types of implications that have resulted from the pandemic were briefed. Did participants retire earlier than planned or will they work longer? How impactful was the loss of revenue to governments and businesses? Will employees demand more work flexibility in hours and locations? How will women be impacted due to being the primary care giver to family? How will the current economic factors of inflation, supply chain issues and market returns affect pension plan funding going forward?

4. **10:15 a.m. – New Requirements: ASOP-4**

Dean began his presentation with a social security status update: projected insolvency in 2034; cut back in benefits compared to needed payroll tax increases; past thirteen (13) years of the 75-year shortfalls in taxable payrolls in 2010 being 1.92% to a high of 3.54% for 2021; impact of tax increases and benefit changes starting in 2023 compared to 2035; and, options for possible solutions.

Dean explained the requirements of Actuarial Standard of Practice (ASOP) No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*. ASOP No. 4 is effective for measurement dates after February 15, 2023, which will be OkMRF's next and upcoming actuarial evaluation for July 1, 2023. The new standard has two (2) major focuses for the actuary: (1) to develop a reasonable actuarially determined contribution for the report; and (2) to disclose a market-based liability with a new actuarial calculation with new discount rates referred to as the low-default risk obligation measure of benefits earned (LDROM) as of the measurement date. When calculating this measure, the actuary should select a discount rate or discount rates derived from low-default-risk fixed income securities whose cash flows are reasonably consistent with the pattern of benefits expected to be paid in the future. In Dean's opinion, the issue for OkMRF will be the communication, disclosure in report, and education to the membership in that the new calculation of LDROM is not to be used for the annual funding purposes and/or to measure the status of the plan's unfunded status level when actuarially determined contributions are systematically calculated and followed annually.

5. **10:45 a.m. – Break**

6. **11:00 a.m. – Keynote Speaker: Voya Financial – Exploring Emerging Trends to Serve the Needs of Government Employees**

Eisenbach presented some of Voya's research related to providing workplace benefits and savings solutions to assist employees to make a better financial future. Three (3) factors affecting employee financial wellness and their future retirement track are the amount of student debt owed, time spent being a caregiver for both children and aging family members, and mental health and inclusion within their workforce. Additionally, the number one reason for withdrawals from retirement plans is unexpected medical expenses, with health care costs rising two times faster than incomes.

The benefits being provided to employees are ever evolving with more choices, responsibilities, and complexity. Most do not fully understand the total benefit packages at the time of initial enrollment or as their tenure in the workforce continues. Based on surveys, the highest stress factor in the workplace is financial stress at 59% and more employees are looking for the employer to provide more assistance and education for making benefit decisions.

Voya's research indicates a need for employees to save for a financial emergency. Thirty percent of individuals have no emergency savings across the demographics of household income, gender, and age. Voya supports programs to build savings for unexpected

expenses which will aid in relieving some of the financial stress and improve the future retirement outcome.

Healthcare availability and affordability top the list of American's worries for the fifth year in a row. Voya wants to help active employees and retirees address and plan for healthcare expenses as well as the cost of professional caregiving for families. Caregiving impacts the workplace due to employee replacement costs, productivity loss, and the amount of extra time spent on coordinating and planning this need.

7. **11:45 a.m. – Update on Call Center**

Hayes with Voya provided an update on supplementing some of their back-office services through their Global Operations Team by utilizing a top ten (10) financial business processing management company based in the Philippines. This team will take call center overflow calls, improve efficiencies for office operations, extend hours of service due to time zone differentials, improve programming testing turnaround time and provide the needed workforce for Voya. Hayes provided assurance that computer security concerns have been addressed, all employees are proficient in the English language, and will be professionally trained on the OkMRF plans for call center services.

Hayes briefly commented on the recent discovery of call center misinformation and additional training being conducted at their New York location. OkMRF will be receiving a three (3) month audit report of call center activity to review.

8. **12:00 p.m. – Lunch**

9. **1:00 p.m. – Global Economic/Geopolitical Update**

Rives presented information related to the current market conditions noting that market drawdowns are common and have an average of about 14% over the past forty (40) years. A bear market is normally defined as the S&P 500 or an overall market experiencing a decline of 20% or more over a period of about two months with negative investor sentiment and other declining economic factors. Most major asset class returns for the current year and the past year are struggling. Commodities are the only strong performer so far, yet pricing remains volatile and as sanctions against Russia are highly disruptive to their markets and others.

Growth and forecasted outlooks are beginning to be revised down since the first of the year as well as the GDP growth rate through 2024. Financial credit rates are rising and tightening for most markets, consumer spending growth is slowing, the job market is recovering but still facing labor shortages, and inflation factors of wage growth, supply chain pressures, energy prices, and consumer demand are still elevated. However, it is too early to call this a recession but the biggest concern from the Global Fund Manager Survey is the concern of a global recession in the near term.

The P/E multiples have been extremely high for the S&P 500 Index but have moderated since the first of the year but still are somewhat expensive. However, buying

opportunities do exist, and value will be favored over growth in the future cyclical recovery.

10. 1:45 p.m. – Break

11. 2:00 p.m. – Global Equity DB Portfolio Review

Moore began by reviewing the DB Plan asset allocation evolution since its inception with ACG. Numerous adjustments and tweaks have been made as market dynamics have changed and with the growth in plan assets.

Three (3) potential return-enhancing asset classes were discussed. The asset classes were Non-U.S. Small-Mid Cap, Emerging Markets Small-Mid Cap, and Private Equity. The Non-U.S. Small-Mid Cap has seen growth in the number of new companies coming to the market during the past 20 years, resulting in a breadth of stock options in the index with multiple layers of diversification with the small-smid cap representing 67% of the stocks with only a 9% weighting in the index; therefore, providing an active management opportunity for underfollowed stocks by analysts. The Emerging Markets Small-Mid index is composed of over 75% in the mid-small cap size, resulting in 42% of emerging market active managers achieving top rolling three-year beta returns within the mid and small cap sectors. Real GDP consensus forecasting expects the emerging economies' growth to outpace the U.S. and developed countries in the next couple of years. Emerging markets stocks in small and mid-cap have much less analyst coverage and enable differentiated views of active managers to invest in the full opportunity set of emerging markets by all cap and style diversification.

Moore then discussed Private Equity by pointing out the differences between public and private markets. Five (5) different business life cycles for Private Equity were discussed from early development to the decline. There are three (3) broad sector classifications for Private Equity: venture capital, leveraged buyout, and private credit. The investment horizons for a leveraged buyout and venture capital exhibit strong outperformance compared to public equity. Private equity investing can provide broad diversification with low penetration compared to the opportunity set and based on manager selection can create a strong alpha opportunity.

12. 3:00 p.m. – ACG Extensive Fee Review

Moore presented schedules and detailed reviews of the money manager fees for both the DB and DC plans.

The DB plan's investment manager fee structure falls within the least expensive quartile when compared to similar sized public plans. Additionally, the fee structure comes in under the 54-bps manager expense of other public pension plans as reported in a National Conference on Public Employee Retirement Systems 2021 study. The total weighted average money manager fee for the DB plan was 45 bps based on the March 31, 2022, market value.

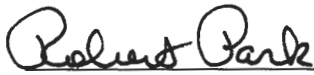
The DC plan offers nine (9) asset class options, six (6) of the options have blended fees below the least expensive quartile within their peer universe and two (2) of the options

fees fall below the median. The eleven (11) Target Date Retirement funds all fall below the least expensive quartile of their respective peer universe. Only one (1), the Total Yield Option fees were in the most expensive quartile.

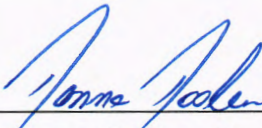
13. **3:45 p.m. – Wrap Up & Adjourn**

Cox expressed thanks to ACG and all guest speakers for a successful retreat.

Whatley requested all to meet in the hotel lobby at 5:00 p.m. and the dinner location had changed to Picasso Café in the Paseo district.

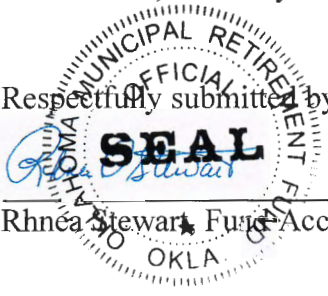
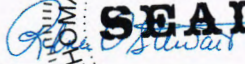


Robert Park, Secretary



Donna Doolen, Chair

Respectfully submitted by:

Rhnea Stewart, Fund Accountant