

MINUTES
A SPECIAL MEETING OF THE BOARD OF TRUSTEES OF THE
OKLAHOMA MUNICIPAL RETIREMENT FUND
June 29, 2023

1. Call To Order

The Board of the Oklahoma Municipal Retirement Fund met at the Oklahoma Municipal Retirement Fund, Oklahoma City, Oklahoma on June 29, 2023, at 9:00 a.m. for Trustee Retreat. No action taken, retreat is purely educational and for discussion purposes only.

BOARD OF TRUSTEES

Chair: Donna Doolen, Retiree, City of Ada
Vice-Chair: Robert Johnston, City Manager, City of Clinton
Secretary: Robert Park, Retiree, City of Sallisaw (*arrived at 9:13 a.m.*)
Treasurer: Jim Lockett, Jr., Retiree, City of Thomas (*arrived at 9:06 a.m.*)
Members: Shaun Barnett, City Manager, City of Woodward
Tamera Johnson, Retiree, City of Shawnee
Melissa Reames, Deputy City Manager & Chief Financial Officer, City of Stillwater
Timothy Rooney, City Manager, City of Mustang
Ed Tinker, Retiree, City of Glenpool

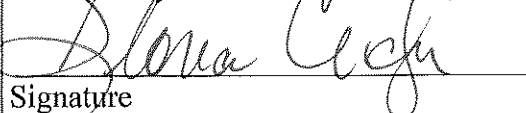
OTHERS PRESENT:

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

OkMRF Attorney: David Davis (*left at 10:40 a.m.*)

Others: Scott Darcy, Voya Financial
Adria Campbell, Voya Financial
Deltra Hayes, Voya Financial
Lori Mueller, OMAG
Jonathan Haller, ACG
Haley Rives, ACG
Kevin Moore, ACG

NOTICE: The agenda for the June 29, 2023, 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 27, 2023, by Gloria Cudjoe.


Signature

2. **9:00 a.m. – Code of Conduct**

A discussion draft revamp of the OkMRF Code of Conduct was presented by Davis. Suggested changes to the existing 2006 ethics policy would apply to all current and future Trustees, Staff, and Vendors. Some of the key recommendations included the inclusion of the Prudent Investor Rules, explanation that Trustees should not advise Participants regarding plan benefits, potential vendor communication guidance, prohibited gift update, and clarification language to both the existing attendance policy and education policy. Additionally, new sections were presented for future Board consideration which included numerous etiquette tips and best practices, such as:

- Ground rules to effective preparation and Board meetings
- Competence to conduct fiduciary duties with care, prudence and diligence
- Fairness to ensure decisions are solely made in the best interests of the Participants and Beneficiaries
- Honesty and integrity, seeking no favors
- Electronic device limitation of usage during Board meetings
- Conflict of interest avoidance and guidelines
- General communication tips

Trustees are urged to review the draft of the OkMRF Code of Conduct as compared to the original ethics policy adopted in 2006 and refer suggested changes or concerns to the Administrative Committee. The OkMRF Code of Conduct will be presented to the Board for consideration at a later date. During the discussion, Rooney raised concerns about the consequences of violating the Code of Conduct. Davis referred him to the Violations of Policy section which states he would review the inquiry in order to recommend remedial action.

3. **9:15 a.m. – Recession Toolkit for Fiduciaries**

Rives discussed the definition of a recession, its indicators, and its implications. She emphasized the need for a comprehensive understanding of these factors in an investor's toolbox. Recessions are seen as normal economic activities, and while the market cycles may not always align with economic cycles, certain signals can indicate a recession. These signals include an overheating economy, financial bubbles, and external shocks like geopolitical events such as the COVID pandemic. Rives highlighted the importance of remaining fully invested and presented data on how stocks perform over the long term during recessions.

Discussion on recession indicators revealed that there is debate among economists and investors. Generally, a recession is characterized by decreasing confidence, economic activity, and financial activity, but the yield curve stands out as a reliable data point. An inverted yield curve, where interest rates are higher and economic activity is down, is considered a strong indicator of an upcoming recession. The probability of a recession increases when these indicators align, although the market has typically already factored in the possibility. Rives emphasizes the need to review asset allocation and assess the correlation of asset classes in a portfolio.

Haller discussed the focus on the impact of recessions on core real estate. He explained that real estate markets are driven by capital markets and their underlying factors. As

capital markets improve, the profitability of private markets and real estate decreases. This understanding prompts ongoing portfolio review and coordination during different market conditions. Haller further discussed inflation's effect on asset class performance, with short-term yields increasing while stocks may experience negative effects. Additionally, the potential returns in equities and bonds after the Fed interest rate hikes historically have shown positive performance in the following twelve (12) months.

4 **10:00 a.m. – Private Markets Roadmap**

Haller provided an overview of OkMRF's private equity commitment pacing plan, explaining that the managers identify and improve private companies with the ultimate goal of selling them either privately or through an initial public offering. The current pacing plan involves committing \$20 million in the first two (2) years and then reducing the commitment to \$15 million annually for three (3) additional years. The first manager for OkMRF's private equity investments was Warburg Pincus, which aims for diversification across different sectors to generate positive returns regardless of the economic market. Haller emphasized the need for continuous monitoring and potential adjustments to the long-term plan based on capital market assumptions.

Haller discussed OkMRF's real assets exposure for the DB and DC plans. For the DB plan, JPMorgan and Clarion manage the core and core plus real estate investments, while PIMCO handles the DC plan's Real Assets investment option. Haller noted that the portfolio's target allocation to real assets is underweight, currently sitting at 11.6% compared to the target of 15%. He attributes this to market trends, repricing, and the expectation of a return to appreciation in the near future. The exposure to different property types was reviewed, with a decline in office space due to remote work, a focus on high-performing retail properties in the JPM SPF portfolio, a strong industrial sector with high occupancy rates, and ongoing considerations based on the broader economy and equity/bond market.

Haller reviewed the real assets opportunity set and the need to hedge the portfolio against rising inflation. Infrastructure investments, characterized by their income generation, mission-critical nature, and monopoly-like characteristics, were highlighted. The distinct categories within infrastructure, including transportation, utilities, midstream, digital, and renewables, were mentioned as diversified options for investment. Haller explained the risk and return strategy, with core assets providing income, followed by core plus and value-add assets focusing on capital appreciation. Risk factors such as GDP sensitivity and revenue stability were noted.

5. **10:45 a.m. – Break**

6. **11:00 a.m. – Keynote Speaker: Voya Financial – Seeking the Recess in Recession**

Darcy began the presentation focusing on the impact of a recession on the average person and how Voya aims to recession-proof their lives. The recession's effects include job losses, loss of insurance coverage, increased costs, and market volatility. Darcy emphasized that a recession is not a matter of "if" but "when." Voya aims to assist Participants in various areas beyond just retirement, such as vacation planning and education expenses, by promoting financial wellness. The average person's readiness for financial wellness is assessed at 6.2 out of 10 among a sample of 250,000 people, with

readiness being closely tied to household income. Those individuals earning less than \$60,000 show lower readiness levels.

One tool Voya provides is the Financial Wellness Assessment, which measures an individual's financial wellness across six pillars: protection, spending and saving, emergency fund, retirement, debt management, and other savings goals. A survey was conducted to reveal that emergency fund readiness was the highest "red" category for Americans, indicating the need for improvement. On the other hand, debt management, and spending and saving were the highest "green" categories, suggesting areas where individuals are more prepared but could potentially decline during a recession.

Key facts related to emergency savings were that 44% had enough cash on hand for unplanned expenses without additional debt, while six (6) out of ten (10) would need to borrow for such expenses, and 25% had no emergency savings at all. Darcy discussed budgeting, suggesting the 50/30/20 approach where 50% of income goes to needs, 30% to wants, and 20% to savings. Debt management is another important aspect, with the average personal debt being \$23,325, and 1/3 of monthly budgets are consumed by debt. Strategies such as the avalanche and snowball methods for prioritizing debt payments were discussed.

Darcy concluded by emphasizing the importance of helping employees grow, accentuating the need to determine their goals, creating a prioritization plan, working towards those goals, and adjusting them as needed. Tools available to Participants, including budget calculators, market volatility dashboards, articles, videos, and live webinars. The rebranding of OkMRF's trademarked slogan "Together We Are Stronger" is a way to position the organization as a trusted resource for individuals during challenging times.

7. **12:00 p.m. – Lunch**

8. **12:45 p.m. – Annual Investment Manager Fee Review**

Rives began the discussion by reviewing the performance of the DB plan in relation to its objectives. While objectives for the five (5) and ten (10) year time horizons have been met, the assumed rate of return of 7.25% for the five (5) year period is the only exception as of March 31, 2023. Performance is evaluated using both absolute and relative metrics, with the latter assessing how the plan ranks compared to others in the top 50 percentile.

Rives reviewed the fee schedule of the DB plan, with the weighted average fee for all managers in the portfolio being 52 basis points (bps) as of March 31, 2023. A study by NCPERS shows that the peer universe average for public plans is 64 bps, indicating that OkMRF's fees are lower than the average. However, some individual managers are above the median fee, with four (4) of them being in the most expensive quartile. Yet, the benefits supported the higher fees for the most part.

Rives continued to the DC plan and discussed the fees paid by individual investors for the white-label funds. The blended fees for each white label option were reviewed, highlighting the importance of balancing the fees between active and passive managers within each strategy. The fees for the DC plan are lower than the median, except for the

Total Yield Investment Option. The three (3) managers within this option are BlackRock, JPMorgan, and Amundi and are the only managers with fees above the median, however have delivered superior long term performance, net of fees.

Cox questioned ACG about negotiations with money managers based on the size of ACG assets. Moore indicated that there have been no new negotiations at this time, but they are continuously reviewing and monitoring.

9. **1:15 p.m. – Break**

10. **1:30 p.m. – Return on Investment (ROI) for Fun at Work**

Mueller began the session by dividing attendees into five (5) groups to participate in an exercise aimed at discussing objectives for the afternoon and exploring the impact of “fun in the work environment”. A word puzzle exercise was conducted to demonstrate the distinction between left-brain and right-brain thinkers and to emphasize the importance of having both types of individuals in a group when working towards a common goal.

Mueller highlighted the importance of employee engagement and its correlation with leadership. It was noted that only 30% of the U.S. workforce is engaged, while the remaining 70% are disengaged. The cost of each disengaged employee was estimated at \$220,000, and the longer such an employee remains on the team, the more they negatively impact others. Leadership was identified as the primary reason for employees leaving positions, although they may attribute their departure to other factors during exit interviews. The return on investment in engaging employees was emphasized, while the costs of low engagement, such as absenteeism, poor customer service, and safety issues, were also discussed. Replacing a disengaged employee was noted to cost 33% of the incumbent's salary, potentially up to five times their salary, in addition to the \$220,000.

The link between fun and performance was explored, emphasizing the creation of work environments that encourage fun, employee satisfaction, and retention. The DISC model, which categorizes individuals into Dominance, Influential, Steadiness, and Conscientiousness styles, was introduced. Attendees participated in a group exercise based on their DISC style, using Legos to represent their idea of fun at work. Each group's project reflected their DISC style and demonstrated how they worked together.


The concepts of purpose and passion were discussed, with purpose being deemed more important based on performance output and the fading nature of passion. The exercise of identifying the “Why” behind one's job was completed to connect work to a sense of purpose, which in turn can foster fun and engagement in the workplace. Mueller also addressed the impact of mindset on actions, results, performance, attitude, and behavior. The power of neuroplasticity, the brain's ability to adapt, was highlighted, along with the importance of focusing one's mindset on things within their control using the Circle of Control tool.

The session concluded with an activity focused on determining strategies for meaningful fun at work, with the top suggestions being to gamify tasks and celebrate wins, make small changes, incorporate music, and vary one's work location.


11. 4:00 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. for pick-up for dinner.



Robert Park, Secretary



Donna Doolen, Chair

Respectfully submitted by:


Kati Girardi, Plan Administrator

