MINUTES

SPECIAL MEETING OF THE BOARD OF TRUSTEES OF THE OKLAHOMA MUNICIPAL RETIREMENT FUND AND THE INVESTMENT COMMITTEE OF OKLAHOMA MUNICIPAL RETIREMENT FUND

February 28, 2024

1. **Call To Order**

The Investment Committee of the Oklahoma Municipal Retirement Fund met at the Oklahoma Municipal Retirement Fund Offices, Oklahoma City, Oklahoma on February 28, 2024, at 2:01 p.m. with Investment Chair Luckett presiding. Upon meeting open, the following members were present:

BOARD OF TRUSTEES PRESENT

Investment Committee:	Jim Luckett, Jr., Retiree, City of Thomas Robert Park, Retiree, City of Sallisaw Ed Tinker, Retiree, City of Glenpool
Others:	Shaun Barnett, City Manager, City of Woodward Donna Doolen, Retiree, City of Ada Robert Johnston, City Manager, City of Clinton Tamera Johnson, Retiree, City of Shawnee Melissa Reames, Retiree, City of Stillwater

OTHERS PRESENT:

OkMRF Staff:	Jodi Cox, CEO & Executive Director Chris Whatley, CIO & Plan Advisor Rhnea Stewart, Fund Accountant Regina Story, Fund Accountant
Others:	Kevin Moore, ACG Joe Nugent, ACG

NOTICE: The agenda for the February 28, 2024, meeting was posted in Columbus Square, first floor by 2:00 p.m. on February 26, 2024, by Gloria Cudjoe.

Gloria Cudjoe

Signatures

Investment Committee Chair, Luckett, extended a welcome to all in attendance and called the meeting to order.

2. **<u>Discussion and Develop a Recommendation for Consideration and Possible Action Regarding Entering the Exit Queue for Full Liquidation of JP Morgan Strategic Property Fund and Special Situations Property Fund and Cease Dividend Reinvestment</u>**

Moore introduced the topic and the assets held by JP Morgan Strategic Property Fund (SPF) and Special Situations Property Fund (SSPF) within the Defined Benefit (DB) portfolio. Nugent reviewed this relationship's history and described recent qualitative issues within the JP Morgan investment team. The departures of senior portfolio managers, Kim Adams and Steve Zaun, have raised significant questions. In addition, Ann Cole, who previously stepped away from her portfolio management responsibilities and held a relationship management role at the firm, has now been selected to rejoin the leadership team as a senior portfolio manager. ACG expressed concerns on the longevity of this reassignment. In addition to these portfolio manager departures, Mike Kelly, Head of JP Morgan Real Estate Americas, announced his retirement sometime in 2024. He will be succeeded by Chad Tredway, former JP Morgan employee. After Chad's JP Morgan departure, he started his own real estate firm in 2021. JP Morgan assumed the management of Chad's former property investment firm which was integrated into Real Estate of Americas. Noteworthy is the fact that Chad's experience was in the JP Morgan commercial mortgage business, not asset management. Nugent further noted SPF has expanded the investable universe to include self-storage properties, life science properties, and data centers raising concerns about the characteristics of the fund remaining a high-quality core fund. Nugent explained it may take two (2) or more years for OkMRF to receive a complete redemption, if pursued. Due to the current market environment, JP Morgan has gated all fund redemptions and clients are receiving approximately 5% of their total investment per quarter. Exit queues are in place to protect investors and prevent a fire sale of assets. While in the exit queue and still invested in JP Morgan Real Estate, ACG will continue to monitor JP Morgan and the number of clients exiting. OkMRF would receive a proportionate share based on the size we represent as compared to the total assets in the queue. With March 1, 2024, being the notification deadline to enter the next available exit queue, ACG recommended OkMRF enter the queue for a full redemption from both SPF and the SSPF and cease all dividend reinvestments. If ACG subsequently determines that previously referenced JP Morgan qualitative issues have corrected themselves, OkMRF can rescind the directives to exit. ACG would also recommend that the slow drip of proceeds be reinvested in the S&P 500 until the redemption becomes material and a Real Estate replacement is found.

Discussion ensued about the possibility of waiting another quarter to reevaluate these qualitative issues. Park pointed out the fact that OkMRF hires an Investment Consultant for this very reason to make Board recommendations. When asked again, ACG reiterated and stood firm on their recommendation as stated. Whatley offered and Tinker requested, if possible, that JP Morgan Real Estate be scheduled to present at an earlier Board meeting by switching manager rotation with JP Morgan Fixed Income. He further asked that ACG come back to the next meeting with a JP Morgan update and explanation of the Real Estate opportunity set.

Motion by Luckett, seconded by Park, to recommend to the Oklahoma Municipal Retirement Fund Board of Trustees to enter the exit queue for a full redemption of the investments in JP Morgan SPF and SSPF and cease dividend reinvestments immediately.

Luckett: Aye Park: Aye Tinker: Nay

3. Discussion and Education on the Private Equity Asset Class

Moore reviewed the private equity mandate highlighting how this asset class fits into the OkMRF DB portfolio. He stressed private equity represents a long-term commitment to funding and patience for future potential returns. Nugent gave a high-level overview of the private equity space as well as portfolio implementation next steps. The major sectors in private equity are buyout, venture/growth, and special situations. These are complicated investments and investors expect to be compensated accordingly. Over all the time periods presented, the major classes of private equity have beat the S&P 500 and the All Country World Indexes, in some cases by substantial margins. Since there are currently more privately owned businesses than that of the public markets, ACG's research shows similar return opportunities still exist. The method of accessing investment opportunities is extremely important with top decile managers outperforming their peers by as much as 19% over the long term. Nugent pointed out that there are periods when the different private equity sectors are in favor but will vary and can go out of favor. Therefore, taking a balanced portfolio approach provides the best opportunity for long-term returns while managing short-term risk. Within this space, ACG typically will recommend managers with a proven track record to affect businesses and outcomes. They are not just financial engineers. For example, managers who have demonstrated expertise in certain opportunities, such as growing sales and integrating buyout teams, would be desirable. Over time, the goal is to build a private equity portfolio diversified by opportunity set, manager expertise, investment focus, investment size, and fund vintages. According to the private equity pacing plan, the total investment target is 5% of the DB portfolio which would equal approximately $40 million net asset value. Using this as a target and based on future projected portfolio growth, OkMRF should consider committing an additional $15 million in calendar year 2024. The Investment Committee will continue to review the pacing plan and make recommendations to the OkMRF Board of Trustees, as adjustments are needed.

No action taken.

4. Discuss and Develop a Recommendation for Board Consideration and Possible Action Regarding Private Equity Annual Review and Commitment Pacing Plan in the Defined Benefit Portfolio

Nugent presented Berkshire Partners XI as the potential addition to the OkMRF private equity portfolio. They have been in business since 1986 with a very consistent team and approach to managing investments. They are currently raising a $6.5 billion fund, targeting buyout of middle market businesses. The fund grows business and sells them upstream to larger funds or at times bringing companies to the IPO market. Their goal is to buy good businesses and turn them into great businesses. This is considered a multi-sector strategy and Berkshire adds value by providing leadership expertise across different economic sectors. Alignment of interests is very important, and the general partners are adding $520 million alongside investors. At the firm, thirty (30) partners are making this investment with no partner owning more than 6% of the fund. Even though the fund is expected to close in June, there is no late fee penalty, and they are still actively fundraising. Closing simply means they have signed the legal documents and raised capital. It is expected the fund will remain open until reaching the targeted $6.5 billion mark. Berkshire has had five (5) funds go through the full cycle. Two are in the final stages of winding down and the rest are in the investment cycle. The lifespan for these funds is typically ten (10) to twelve (12) years. Berkshire Fund V through Fund IX have significantly outperformed public equity market indices providing excellent compensation to investors. When compared to peers, ACG indicated that Berkshire produced double digit net returns over time, and this should be a great complement to the existing Warburg Pincus private equity investment.

Motion by Luckett, seconded by Tinker, to recommend to the Oklahoma Municipal Retirement Fund Board of Trustees to allow Staff and Attorney to enter contract negotiations for a $15M investment in the Berkshire Partners XI Fund as soon as administratively feasible.

Luckett: Aye Park: Aye Tinker: Aye

5. **Conduct Semi-Annual Investment Performance Review and Receive Quarterly Performance Report for December 31, 2023, as Presented by Asset Consulting Group**

Moore reviewed the Defined Benefit Portfolio's report card from the quarterly report, highlighting five- and ten-year risk/return metrics. The Fund beat the benchmark in seven (7) out of the eight (8) categories measured. The Fund fell short in the eighth category by underperforming the actuarially assumed return of 7.25% by 0.33% over the 10-year period. When measuring against peer groups with equity allocations between 55% to 70%, the Fund is in the top 34% over a 5-year period and in the top 33% over a 10-year period.

In the Defined Contribution construct, Moore noted passive investment options have performed in-line with their benchmarks as expected. The white-label funds have had strong results when compared to their benchmarks, providing Participants with excellent diversification opportunity and solid returns.

6. **New Business**
None.

7. **Adjourn**
With no further discussion, meeting adjourned at 4:34 p.m.

Jim Luckett, Jr., Investment Chair

Donna Doolen, Chair

Respectfully Submitted by:

Chris Whatley

OKLAHOMA MUNICIPAL RETIREMENT FUND OFFICIAL SEAL OKLA.