

MINUTES
BOARD OF TRUSTEES
OKLAHOMA MUNICIPAL RETIREMENT FUND
August 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 August 26, 2022, at 10:00 a.m. with Vice-Chair Johnston presiding. On roll call, the following members were present:

BOARD OF TRUSTEES

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*)
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
Katie Girardi, Plan Administrator

OkMRF Attorney: David Davis

Others: Haley Rives, ACG
Karson Wattles, Northern Trust
Deltra Hayes, Voya
Scott Darcy, Voya
Jane Spatola, Voya (*via video*)
Lisa Morgan, Voya (*via video*)
Chris Trovato, Voya (*via video*)

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

Johnston welcomed everyone and called the meeting to order.

NOTICE: The agenda for the August 26, 2022, meeting was posted in Columbus Square, Oklahoma City, Oklahoma, by Gloria Cudjoe by 10:00 a.m. on August 25, 2022.



Signature(s)

2. Approval of Consent Agenda

The following items were presented under the consent agenda.

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

B. Monthly Valuation of Fund Assets & Unit Values by Custodian as of July 31, 2022

Option	Value By Fund
Defined Benefit	\$ 672,294,756.14
International Investment Equity	\$ 8,039,709.33
Aggressive Equity	\$ 17,004,600.22
Real Assets Fund	\$ 1,031,556.00
ESG US Stock Fund	\$ 1,260,678.93
Global Equity	\$ 10,560,157.65
Growth and Value Equity	\$ 22,472,657.22
S & P 500 Index	\$ 35,172,425.97
Target Retirement 2065	\$ 168,030.92
Target Retirement 2060	\$ 6,241,759.59
Target Retirement 2055	\$ 7,109,588.33
Target Retirement 2050	\$ 11,586,863.70
Target Retirement 2045	\$ 14,925,858.72
Target Retirement 2040	\$ 19,485,713.13
Target Retirement 2035	\$ 25,822,744.41
Target Retirement 2030	\$ 27,779,786.54
Target Retirement 2025	\$ 40,477,005.11
Target Retirement 2020	\$ 25,195,296.71
Target Retirement Income	\$ 19,376,591.82
Total Yield Bond Fund	\$ 5,802,218.59
Bond Index	\$ 14,943,292.34
Voya Fixed Plus III	\$ 53,923,939.34
Loan Portfolio	\$ 7,660,948.74
Self Directed Brokerage	\$ 267,231.53
Total Assets	\$ 1,048,603,410.98

C. Purchase and Sales of Assets for July 2022

D. Administrative Expenses and Fees

Expenses and Fees for August

Actuary & Recordkeeping	\$ 43,182.59
Administration	116,815.02
Attorney	5,776.50
Audit	0.00
Board Travel	2,428.25
Employer Directed Expense	0.00
Insurance	22,758.20
Investment Advisors	0.00
Custodial	11,093.08
Investment Consultant	0.00
Public Relations	832.83
Representative Travel	<u>1,482.32</u>
EXPENSES	<u>\$ 204,368.79</u>

E. Benefit Payments and Contribution Refunds for July 2022

Motion made by Luckett, seconded by Park to approve all items on the Consent Agenda.

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

NAY: None

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

No action taken.

4. Comments from the Public

None.

5. Northern Trust: Annual Update on DB Custodial Services – Karson Wattles

Wattles began her presentation by expressing appreciation for the opportunity to spend the previous afternoon with Staff reviewing responsibilities and processes. She thanked OkMRF for their continued relationship. Wattles provided a firm overview stating as of the end of 2021, Northern Trust had \$12.6 trillion in assets under custody and \$1.6 trillion in assets under

management. Northern Trust operates on one global platform for both clients and employees, giving the employees the ability of a hybrid work-from-home schedule. Wattles stated she works remotely full-time but travels back to Chicago headquarters on a quarterly basis.

Wattles provided an overview of Northern Trust's public funds business. With six (6) new clients added in 2022, assets under custody total \$1.3 trillion. Due to the rise in new client business, Northern Trust has seen a large growth in staff over the past three (3) years. Northern Trust has budgeted \$3.5 billion for new technology through 2023, as they see interaction and efficiency for clients as one of their top priorities. Wattles reviewed the management team for the public fund's client services group stating no changes in the past year or foreseeable future. At the fiscal year-end, OkMRF assets totaled \$649 million.

Wattles reviewed the class action process for their dedicated team who utilizes multiple industry-leading sources for class action notifications to ensure all impacted cases are filed on OkMRF's behalf. Reports are readily available to review for all filed cases and received proceeds. Wattles offered additional education on the class action process if Staff showed interest. Lastly, Wattles reviewed the benefit payments process and statistics stating an average of \$2.25 million payments are processed for OkMRF each month with 85% of the payments delivered by direct deposit.

6. Voya Financial: Annual Update on DC Recordkeeping/Custodial Services and Investment Manager – Deltra Hayes (Voya Institutional Trust Company/Voya Financial Update and Market Trends); Jane Spatola and Debbie Fonseca (Plan Review); Lisa Morgan (Voya Fixed Account) Chris Trovato (Voya Retirement Advisors) and Scott Darcy (Marketing & Communications)

The Voya team updates were as follows:

- Hayes introduced team members, Jane Spatola, Lisa Morgan, Chris Trovato, and Scott Darcy. Morgan and Trovato are new members of the management team in 2022. No changes in the Voya support team.
- Voya announced the appointment of Heather Lavalley as president and CEO-elect effective January 1, 2023, succeeding Rod Martin as part of Voya's succession process. Plans have been announced to enter a long-term strategic partnership with Allianz Global Investors to continually grow the Investment Management team. An acquisition of Czech Asset Management, L.P., a leading private credit asset manager, was also finalized by Voya Investment Management.
- No reported changes to Voya Institutional Trust Company (VITC). Assets totaled over \$140 billion at fiscal year-end.
- Voya continues to strive to be America's Retirement Company by increasing total customers to 14.3 million with a market capitalization of \$6.8 billion. Voya's four (4) pillars of corporate responsibility, empowering people, serving clients, investing in communities, and protecting the environment have earned them their ninth Great Place to Work recognition along with being recognized as one of the most ethical and inclusive workplaces in 2022. Voya gives back to communities by allowing employees paid time for volunteer work of their choice, as well as striving towards paper elimination and greener buildings.
- Recent plan enhancements include integrating Spanish language capabilities on both the web and Voya Retire app, voice recognition when speaking to client services, and the introduction of the myHealth&Wealth™ program aimed to assist employees with benefit package comparisons. A podcast called, Hire thru Retire, was recently launched to provide insights on the latest health, wealth, and investment trends in the workplace.
- Spatola summarized OkMRF plan statistics noting the addition of eight (8) new Member plans during the last fiscal year, along with other improvements such as changing Participant monthly fees to a tiered schedule, reducing Voya's recordkeeping fee, and implementing a

customer service center call review. Due to a sharp market decline, assets decreased to \$358 million at the end of the fiscal year with an addition of 198 Participants with a balance. Total contributions for the fiscal year were reported at \$27.9 million with over \$20 million being allocated to the Target Retirement Date funds. Total deductions, including member withdrawals and defaulted loans, outpaced total additions including contributions and rollovers by approximately \$53 million mainly due to the market decline in the first half of 2022. Loan funds remain 2.0% of all plan assets with the average loan balance totaling \$9,246. Customer service statistics including telephone and internet were within reasonable expectations.

- Morgan provided a general overview of the Voya Fixed Plus III investment option confirming a declared rate of 1.65%, unchanged since July 2022, and a floor rate of 1.0%. Of the \$52.6 million balance, 44.9% is held by retired/term Participants and the remainder is held by active Participants, of which 32.9% hold the fund as their only investment. The core investment allocation for the Voya Fixed Plus III continues to be investment grade credit followed by senior loans and private credit.
- Trovato provided a summary of the Reach & Impact Executive Summary noting of OkMRF's 8,935 participants approximately 10.8% utilize either professional management, online advice, or online guidance. Due to the high Participant utilization of Target Retirement Date funds, investment diversification for the plan was ranked in the top percentile. Trovato discussed future enhancements and the rollout of Income Beyond Retirement to provide further support for retirees.
- Darcy introduced the joint campaign outreach Together We Are Stronger™ to roll out in 2023. The campaign includes quarterly educational emails, annual Momentum newsletter, redesigned plan materials, and financial wellness resources tools. The materials will be co-branded with OkMRF and Voya to provide aspirational, positive, inclusive, and timely information showing the value of collaboration and partnership. Darcy also discussed the reintroduction of Voya's market volatility resource center due to recent market declines. The resource center provides articles and videos called Voya Learns hosted by Voya employees.

7. Consideration and Possible Action Regarding Investment Committee Report

A. ACG: Review of Monthly ASAP and Quarterly Performance Report

Rives began the presentation with a general economic overview. The recent Federal Reserve meeting to increase interest rates to stabilize inflation has triggered multiple volatile trading days in the market causing a wipeout of any positive returns at the beginning of August. Gross domestic product (GDP) declined modestly in the second quarter by 0.6%, while gross domestic income (GDI) continues to expand and cause the largest margin between the two (2) indicators since 1947. Due to conflicting economic data, midterm elections, continued Russia and Ukraine conflict, and a possible harsh European winter because of the energy crisis, more volatility is likely for the remainder of 2022.

Rives reviewed the DB portfolio noting outperformance of the policy index for a ten (10) year annualized return and assets totaling over \$675 million. The portfolio allocations remain overweight in cash and underweight in equities due to cash being earmarked for the funding of Clarion Lion Industrial Trust at the beginning of October. Fiscal year-to-date returns reported a positive 4.87%, gross of fees, while one (1) year returns remained in negative territory at 9.02%. Rives discussed individual sector allocations noting River Road's year-to-date returns benefiting from their opportunistic cash deployment, non-U.S. equities seeing a dramatic upwards swing after a challenging first year, long/short managers seeing positive one (1) month returns after double-digit negative returns year-to-date, and real estate providing benefit to the portfolio by its direct investment strategy rather than publicly traded REITS.

Rives' comments on the DC portfolio mirrored those of the DB portfolio stating economic factors continue to be headwinds for many money managers. William Blair will replace Times Square in the Aggressive Equity Option at the beginning of October. Calvert, within the ESG U.S. Stock Option, has outperformed the index without having large exposure to energy. The Real Assets option continues to gain traction as investors seek refuge from rising inflation. Rives mentioned diversifying the option into separate managers if cash inflows continue. Target Date Retirement Funds performed in line with expectations.

B. Consideration and Possible Action Regarding the Defined Benefit Portfolio Asset Allocation Construct and Adjustments, if any, as Recommended by the Investment Committee and Rejection or Approval of any Amendments Proposed and Considered by the Trustees at the Meeting

Luckett, Investment Committee Chair, provided an overview of the previous day's Investment Committee meeting attended by all Committee members and Doolen. Three (3) proposed asset allocation mixes were presented to the Committee which provided illustrations of expected risk and return metrics compared to existing asset allocations. After further discussion, the Committee voted 2-1 to recommend Mix 3, (increase Real Assets by 5% to 15%, reduce Long/Short Equity by 10% to 0%, add Private Equity at 5%) to the Board.

After the recommendation was presented, Rives discussed the proposed timeline for redeeming from long/short managers and funding future private equity investments. Due to the nature of each asset class, full investment in private equity will not occur for three (3) to five (5) years. Rives assured the Board there was no urgency for the transition.

Johnston asked if Committee members wanted to share their point of view with the Board. Discussion ensued between Board, Staff, and ACG regarding the Long/Short Equity allocation as to whether all holdings should be liquidated and/or reduce the allocation and retain some of the holdings. Rives was questioned as to which mix ACG would favor and if any of their clients are exiting Long/Short. Rives stated, ACG would recommend Mix 2 (reducing Long/Short from 10% to 5% and add 5% to Private Equity) based on the timeline and the ability to pick opportunistic managers to find the best position adding however, that all three (3) mixes brought to the Committee were appropriate. She further confirmed there has been frustration from all clients who have the Long/Short Equity allocation, but stated each client has the challenge to determine what is the best option for their respective plans.

Motion made by Tinker, seconded by Park to approve the Investment Committee's recommendation of accepting the presented Mix 3 allocation for the Defined Benefit portfolio.

Motion carried:

AYE: Dunham, Johnson, Johnston, Park, Rooney, and Tinker

NAY: Luckett

C. ACG: Discussion and Possible Action on Long/Short Allocation as Recommended by the Investment Committee and Rejection or Approval of any Amendments Proposed and Considered by the Trustees at the Meeting

No action taken.

D. Consideration and Possible Approval of William Blair Collective Investment Trust Participation Agreement, Declaration of Trust, and Related Documents Prepared for DB and DC Implementation as Recommended by the Investment Committee and Rejection or Approval of any Amendments Proposed and Considered by the Trustees at the Meeting

Cox stated the participation agreement, declaration of trust, and side letter had been reviewed by Staff and Davis.

Motion made by Tinker, seconded by Rooney to approve William Blair's Collective Investment Trust Participation Agreement, Declaration of Trust, and related documents for the DB and DC portfolios as recommended by the Investment Committee.

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

NAY: None

E. 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 by the Trustees at the Meeting

Motion made by Lockett, seconded by Tinker to approve the transfer of \$150k from the DB Miscellaneous cash account to fund Real Estate money manager fees for the remainder of the year.

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

NAY: None

8. Consideration and Possible Action Regarding Administrative Committee Report

No action taken.

9. Consideration and Possible Action Regarding Contract Committee Report

No action taken.

10. Report on Newly Adopted or Amended OkMRF Member Plan

Whatley reported on those members who have adopted the restated master plan and joinder and a new DC CMO member, City of Atoka. Both Whatley and Girardi were recognized for their efforts.

11. Discussion and Possible Action on Resolution 2022-3 Commending Joe Don Dunham Service

Motion made by Rooney, seconded by Park to accept Resolution 2022-3 commending Joe Don Dunham for his service.

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

NAY: Tinker

12. OkMRF Staff Report

Girardi provided an update on the upcoming OML Annual Conference. For attending Trustees, t-shirts and schedules have been provided. Accepting donations through September 9th for raffle drawing benefiting Keep Oklahoma Beautiful.

Cox reported on the following items:

- Next month's meeting will be held off-site on September 30th at 11:00 in the DoubleTree by Hilton Tulsa-Warren Place, Salon E & F immediately following the conclusion of the Oklahoma Public Funds Trustee Education Conference (OPFTEC). No virtual option available.
- The OML Annual Conference is less than two (2) weeks away. Exhibit hall events will be held on September 14th and 15th with the Hall of Fame banquet on the evening of the 15th. Hall of Fame inductees include Matt White, Mayor of El Reno and Phillip Johnston, General Manager of Electric Utilities of Ponca City.
- OPFTEC will be held from September 28th through September 30th at the DoubleTree Tulsa-Warren Place.
- Updates on District Elections through today: District 3: Received four (4) votes for incumbent, Donna Doolen, and one (1) vote for Elizabeth Sloat. District 8: Received five (5) votes for Shaun Barnett, and three (3) votes for Michael Shannon. Votes will be accepted until 5:00 p.m. on Tuesday, August 30th.
- Due diligence trip to visit JPMorgan Fixed Income team will be attended by Rooney, Johnston, Tinker, Luckett, Whatley, and two (2) ACG analysts on September 21st in Columbus, Ohio.
- The annual audit has started. Finley & Cook has selected numerous confirmation samples and Staff will mail out letters shortly.

13. New Business

None.

14. Trustee/Member Comments

Luckett encouraged Trustees and Staff to register for a BlackRock webcast featuring Larry Summers.

15. Adjourn

With no further business to conduct the meeting adjourned.



Robert Park, Secretary



Robert Johnston, Vice-Chair

Respectfully submitted by:



on behalf of
Katie Girardi