

MINUTES
BOARD OF TRUSTEES
OKLAHOMA MUNICIPAL RETIREMENT FUND
June 28, 2024

1. Call To Order

The Board of the Oklahoma Municipal Retirement Fund met at the Oklahoma Municipal Retirement Fund Offices, Oklahoma City, Oklahoma, on June 28, 2024, at 10:01 a.m. with Chair Doolen presiding.

2. Roll Call

Chair Doolen requested Whatley take the roll call. A quorum was declared. On the roll call, the following members were present.

BOARD OF TRUSTEES:

Chair: Donna Doolen, Retiree, City of Ada
Vice Chair: Robert Johnston, City Manager, City of Clinton
Treasurer: Jim Luckett, Jr., Retiree, City of Thomas
Secretary: Robert Park, Retiree, City of Sallisaw
Members: Shaun Barnett, City Manager, City of Woodward
Tamera Johnson, Retiree, City of Shawnee
Melissa Reames, Retiree, City of Stillwater
Ed Tinker, Retiree, City of Glenpool

OTHERS PRESENT:

OkMRF Staff: Jodi Cox, CFO & Director
Chris Whatley, CIO & Plan Advisor
Rhnea Stewart, Fund Accountant
Regina Story, Fund Accountant
Kevin Darrow, Retirement Administrator

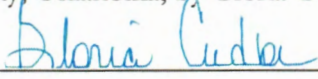
OkMRF Attorney: David Davis

Other: Kevin Moore, ACG
Jason Curran, JPMorgan
Ann Cole, JPMorgan (*via video*)
Lawrence Ostow, JPMorgan (*via video*)

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

Doolen welcomed everyone and called the meeting to order.

NOTICE: The agenda for June 28, 2024, was posted in Columbus Square, Oklahoma City, Oklahoma, by Gloria Cudjoe, by 10:00 a.m. on June 27, 2024.



Signature(s)

3. **Approval of Consent Agenda**

The following items were presented under the consent agenda.

A. **Minutes of May 30 and May 31, 2024, Meeting(s)**

B. **Monthly Valuation of Fund Assets & Unit Values by Custodian as of May 31, 2024**

	Value By Fund
Defined Benefit	\$ 737,427,397.90
International Investment Equity	9,253,189.51
Aggressive Equity	18,649,140.66
Real Assets Fund	737,422.70
ESG US Stock Fund	1,866,297.33
Global Equity	12,765,494.23
Growth and Value Equity	27,412,830.73
S & P 500 Index	44,462,446.31
Target Retirement 2065	255,707.91
Target Retirement 2060	11,614,866.43
Target Retirement 2055	10,873,797.63
Target Retirement 2050	16,641,227.62
Target Retirement 2045	21,084,625.13
Target Retirement 2040	25,274,785.23
Target Retirement 2035	31,600,110.01
Target Retirement 2030	36,646,100.64
Target Retirement 2025	41,904,095.88
Target Retirement 2020	19,633,124.15
Target Retirement Income	18,611,227.92
Total Yield Bond Fund	7,199,414.06
Bond Index	14,322,490.01
Voya Fixed Plus III	47,418,567.64
Loan Portfolio	8,217,216.15
Self Directed Brokerage	417,285.97
Total Assets	\$ 1,164,288,861.75

C. **Purchases and Sales of Assets for May 2024**

D. Administrative Expenses and Fees

Expenses and Fees for June

Actuary & Recordkeeping	\$	76,266.14
Administration		138,497.62
Attorney		3,750.00
Audit		10,000.00
Board Travel		3,556.86
Employer Directed Expense		0.00
Insurance		0.00
Investment Advisors		19,021.75
Custodial		8,253.69
Investment Consultant		40,978.25
Public Relations		4,544.52
Representative Travel		<u>4,310.26</u>
EXPENSES	\$	<u><u>309,179.09</u></u>

E. Benefit Payments and Contribution Refunds for May 2024

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

Motion carried: AYE: Barnett, Doolen, Johnson, Johnston, Lockett, Park, Reames and Tinker.

NAY: None

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

No action taken.

5. Comments from the Public

None.

6. JPMorgan Real Estate: Annual Update from Investment Managers – Larry Ostow

Ostow kicked off the presentation discussing platform and personnel changes. Curran presented a portfolio review of the Strategic Property Fund (SPF) and Special Situation Property Fund (SSPF). He reminded the group that it has been a full two (2) years into the real estate repricing cycle, with the cost of debt as well as equity going up significantly.

Beginning with the SPF, Curran laid out the action plan going forward. This plan includes 1) regarding the allocation - narrowing the office holdings and advancing positions where geographical value is being created, 2) regarding liquidity - generating liquidity to address the queue while maintaining balance sheet strength, and 3) reserving asset selection - as they buy and sell the right holdings.

He then transitioned to reviewing the performance in the SPF and stated that he believes that they are well positioned coming out of this cycle. He gave examples of truck terminal space and industrial outdoor storage as extended sectors that the portfolio was early entrants into, specifically looking for demographically driven, low capex, high margin businesses. He stated that the portfolio is currently weighted at 11% in these extended sectors, with a target weight of 20%. Over the last seven (7) quarters, the return has a combined total return of -24%, with office being the most impacted sector of real estate. Both residential and industrial are impacted by capital markets and driven by interest rates pointing out that retail is currently the strongest performer. When compared to the benchmark, Curran explained that the underperformance relative to their peers of 700 basis points could be attributed to the spread in industrials which he believes will reverse itself in future cycles, as well as their higher leverage when compared to their peers.

In summary regarding the SPF, Curran reiterated that he anticipates a turn in the performance, not just on a relative basis, but in relation to their peers. He believes they are well positioned and on the right path going forward. Curran also spoke to the debt environment and feels that they are prepared for the future even within the constrained environment.

Cole then gave the corresponding action plan for the SSPF. This plan includes 1) maintaining balance sheet strength while generating liquidity, managing debt maturities and paydown of the queue as well as 2) executing on high growth objectives.

Cole then transitioned to reviewing the performance in the SSPF and acknowledged that these are challenging numbers, especially over the last seven (7) quarters. She said that each of the individual sectors have similar themes at play in the SSPF as what was described for the SPF, with office being the largest component of the write downs. Over the past seven (7) quarters, the fund is down 23% overall, with office being the driver of the performance. Cole then pointed to a composite overview since 2008 showing that historically the fund has outperformed by 200 basis points relative to the benchmark until the repricing period seven (7) quarters ago. Since 3Q22, SSPF has underperformed 1777 basis points relative to the benchmark, with industrial also being the driver in this portfolio. Cole reiterated similarly to Curran's comments, that the industrial holdings in the SSPF were very high quality and geographically well positioned, so she is optimistic about the opportunity for rebounding in the portfolio. As this portfolio holds a higher level of debt than core funds, she also pointed out that the underperformance is attributed to the leverage within the fund. She explained that in a typical environment while 40% loan-to-value would be the target, that the SSPF is currently at 57% and this is driving about 93% of the underperformance relative to the benchmark.

Regarding portfolio positioning, they have continued to reduce their office allocation and will stay with this strategy. Cole also mentioned that they are increasing the residential sector, specifically mentioning an increase in suburban and growth-oriented markets in geographically targeted areas. SSPF also will continue to look to expanding the industrial portfolio. She reiterated that she thinks the quality of assets will be driving appreciation and believes the SSPF is very well positioned going towards a recovery. Regarding extended sectors, she indicated that SSPF is currently at a little over 10% of composition, including single family rental, industrial, outdoor storage, and life

science. Cole indicated that they are looking to expand that percentage to 20-25% of the fund over time. Like the SPI', she wanted to speak to the debt environment and referenced the SSPI' debt maturity schedule, pointing out if they meet certain thresholds in order to get an extension with their lenders for the maturities, this will require a level of pay down on these loans in order to get these extensions. Cole stated that the fund is working on that with the 2024 and 2025 maturities and has confidence in the SSPI' capital markets team working on that. In closing, Cole reiterated the quality of the assets to generate growth. She stated her commitment to the fund and to their clients.

Oslow concluded by discussing the third-party valuation process that JPMorgan uses and stated that he has confidence in their valuations and believes that their valuations reflect market realities whereas other peers may not be. Oslow closed by discussing the fee credit program. 30% is offered to investors with 20% or less of their net asset value in the redemption queue as a thank you to investors for their patience during this period of volatility, and to take some pressure off the portfolio managers by reducing the redemption queue, allowing them to hopefully drive performance in these funds. Oslow described that there is no lockup, and that a modified redemption request would be all that is necessary, there is no loss of place in line for redemption, queues will be assessed every quarter. Oslow described it as a temporary program for 18 months beginning on July 1 and running to the end of 2025, at which point they will assess program continuance. Investors have until August 31 to submit the modified redemption request, but it has a look back that will be effective as of July 1.

7. Consideration and Possible Action Regarding Contract Committee Report

No action taken.

8. Consideration and Possible Action Regarding Administrative Committee Report

A. Consideration and Possible Approval of Revised 2023-2024 Budget as Recommended by the Administrative Committee and Rejection or Approval of any Amendments Proposed or Considered by the Trustees at the Meeting

Administrative Committee Chair Johnston stated that related to the FY 2024 budget, actual expenses came in at \$166,525 under budget. Cox explained that the investment advisor fees came in over budget by \$16,790 due to higher valuations, and that the credits received and applied were \$31,092 more than expected.

Motion made by Johnston, seconded by Johnson to approve the revised 2023-2024 budget as recommended by the Administrative Committee.

Motion carried: AYE: Barnett, Doolen, Johnson, Johnston, Luckett, Park, Reames and Tinker.

NAY: None

9. Consideration and Possible Action Regarding Investment Committee Report

A. ACG: Review of Monthly ASAP Reports

Moore began by asking if there were any questions the Board may have in relation to the JPMorgan fee credit program discussed earlier in the meeting. He stated that ACG's perspective is that from a redemption flow standpoint the amount of dollars is not going to change, so it is certainly something to consider and believes OkMRI' can achieve some savings. Moore stated that he would bring forth more detail as to the level of savings for the Board to review next month. He indicated that the level of debt is largely contributing to the negative

performance, and that while JPMorgan is late in moving into extended sectors relative to their peers, he stated he was not concerned that it was style drift, as this shift has been occurring in other real estate portfolios.

Moore touched on the sessions from the June 27th retreat regarding non-US small cap. He reiterated that nothing is broken, but just wanted to expose the trustees to this asset class. Moore also mentioned the session regarding private equity expenses of Warburg Pincus and got positive feedback from Staff on the firm's transparency.

Moore briefly reviewed the Market Snapshot stating that ACG is very hopeful in the next couple of months and quarters that the market representation expands, more stocks participate in that rally, and does not believe the top heavy market is sustainable. For the broader environment, the U.S. is in a good position from a growth and jobs perspective. There is a challenge between soft data and the economic indicators that he believes will converge as inflation comes down. Central bank rates and elections are coming into focus and may create some short term volatility.

The DB portfolio ten year annualized return as of May 31, 2024, came in at 7.1% compared to the policy index of 6.6%, gross of fees. Large cap equities are slightly overweight, but that is due to distribution proceeds being deposited to the S&P 500 index fund since it is very liquid and serves as a good parking spot for those funds. June returns are trending positive and expects the fiscal year end to close with strong performance. Moore noted that equity and fixed income performance has been strong. Moore mentioned that from ACG's perspective on the private equity standpoint, they are always looking for complementary things for the portfolio.

On the DC portfolio, he touched on the presentation from the retreat that discussed fees, and how low they can keep the fees low while still consistently obtaining double digit returns. On Aggressive Equity as well as Growth and Value Investment options, they have outperformed the benchmark over the long term. Moore pointed out that the ESG Investment option (Calvert) is a good illustration of the top heavy concentration. They specifically do not invest in Tesla, Invidia, or Meta and because of not holding those stocks, there is a dramatic difference between returns and other U.S. Large Cap funds.

B. Discussion 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 or Considered by the Trustees at the Meeting

Staff recommended approval of rebalancing of \$7 million from SSgA S&P 500 to Miscellaneous Cash as proposed by the Investment Committee and ACG to cover DB cashflow needs for the upcoming quarter.

Motion made by Lockett, seconded by Johnson to rebalance \$7 million from SSgA S&P 500 to Miscellaneous Cash to satisfy quarterly cashflow needs.

Motion carried: AYE: Barnett, Doolen, Johnson, Johnston, Lockett, Park, Reames and Tinker.

NAY: None

C. Consideration and Possible Action to Enter Executive Session for Confidential Discussion with the Board Attorney Concerning the Examination of the Investment of Funds with Berkshire Private Equity Fund *(Proposed Executive Session as authorized by Title 25 Oklahoma Statutes 307B4 which allows executive sessions for the purpose of preserving attorney-client privilege, litigation strategy, and settlement strategies for current and potential litigation matters.)*

Motion made by Luckett, seconded by Park to enter into Executive Session at 11:36 a.m.

Motion carried: AYE: Barnett, Doolen, Johnson, Johnston, Luckett, Park, Reames and Tinker.

NAY: None

Executive Session ended, and Regular meeting reconvened at 12:06 p.m.

D. Consideration and Possible Approval of Berkshire Fund XI – F Amended and Restated Confidential Private Placement Memorandum, Related Supplements, Subscription Agreement, Investor Data Sheet, Self-Certification and Related Documents as Recommended by the Investment Committee for DB Implementation and Rejection or Approval of any Amendments Proposed and Considered by the Trustees at the Meeting

Motion made by Luckett, seconded by Park to Approve Berkshire Fund XI – F Amended and Restated Confidential Private Placement Memorandum, Related Supplements, Subscription Agreement, Investor Data Sheet, Self-Certification and Related Documents as Recommended by the Investment Committee for DB Implementation.

Motion carried: AYE: Barnett, Doolen, Johnson, Johnston, Luckett, Park, Reames and Tinker.

NAY: None

Johnston exited at 12:07 p.m.

10. Consideration and Possible Action on Trustee Retreat Topics and to Help Staff Prioritize Tasks

Positive feedback was given regarding the presentation on estate planning, with trustees hoping to provide further education to membership. Staff will pursue partnering with OML and work with recordkeeper(s) regarding posting more information related to this topic on participant sites. More education was requested regarding international small cap sector.

No action taken.

11. Receive Report on Newly Adopted or Amended OkMRF Member Plans

Whatley reported on plan changes for the OkMRF members, including Tecumseh reopening their DB plan and making their existing DC plan an optional additional after-tax retirement plan for its participants.

12. OkMRF Staff Report

Whatley and Story reported on attending the NCPERS Chief Officers Summit.

Cox reported on the following:

- Thanked the trustees for attending the Retreat and the sponsors for their participation.
- Next month:
 - ✓ Amundi Pioneer will present Core Plus Bond portfolio.
 - ✓ Sean Sullivan to present the FY 24-25 market impact update.
- Election nomination period ends this weekend; nominations must be received in office on or by June 30, 2024. Anyone who wants to turn in a nomination should scan or fax before deadline.
- Cox gave status that seven (7) nominations had been received for the at-large position:
 - Incumbent, Robert Johnston, Clinton City Manager
 - Greg Buckley, Carlton Landing Town Administrator
 - Ryan Dawson, Union City Vice Mayor
 - Kamie Brookshire, El Reno Human Resources Director
 - Cody Roc, McCloud City Manager
 - Cindi Shivers, Yukon Human Resources Director
 - Shawn Gibson, Drumright City Manager
- Cox reported that only one (1) nominee has been received for the District 4 election for incumbent, Tammy Johnson. She received two (2) nominations and so far has not drawn an opponent.
- OML Conference survey and information was provided. If you plan to attend or provide booth assistance, please complete and return.
- OPI/TEC is September 25-27. Please complete the survey and information sheet provided.
- CMAO Conference is Enid on July 17th – 19th. Cox, Whatley, and Darrow plan to attend.
- Whatley will be in charge while I am on vacation, July 2nd through July 9th.

Tinker exited at 12:20 p.m.

13. New Business

None.

14. Trustee/Member Comments

None.

15. Acknowledge the Review and Acceptance of ACG and JPMorgan Reports as Presented During this Meeting

Motion made by Barnett, seconded by Reames to accept the reports as received from ACG and JPMorgan.

Motion carried:

AYE: Barnett, Doolen, Luckett, Park, and Reames

NAY: None

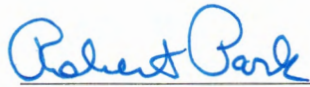
ABSENT: Johnson, Johnston, and Tinker

16. Roll Call

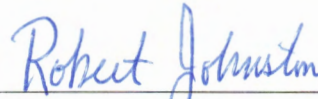
Whatley reported a quorum present.

17. Adjourn

With no further business to conduct, the meeting adjourned at 12:26 p.m.

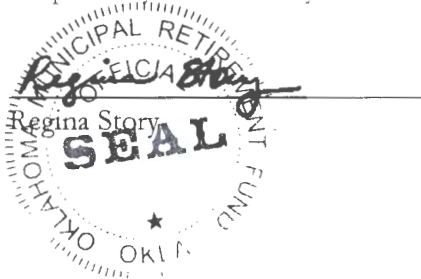


Robert Park, Secretary



Robert Johnston, Vice - Chair

Respectfully submitted by:



Regina Story