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Oklahoma State Pension Commission

Public Funds Trends

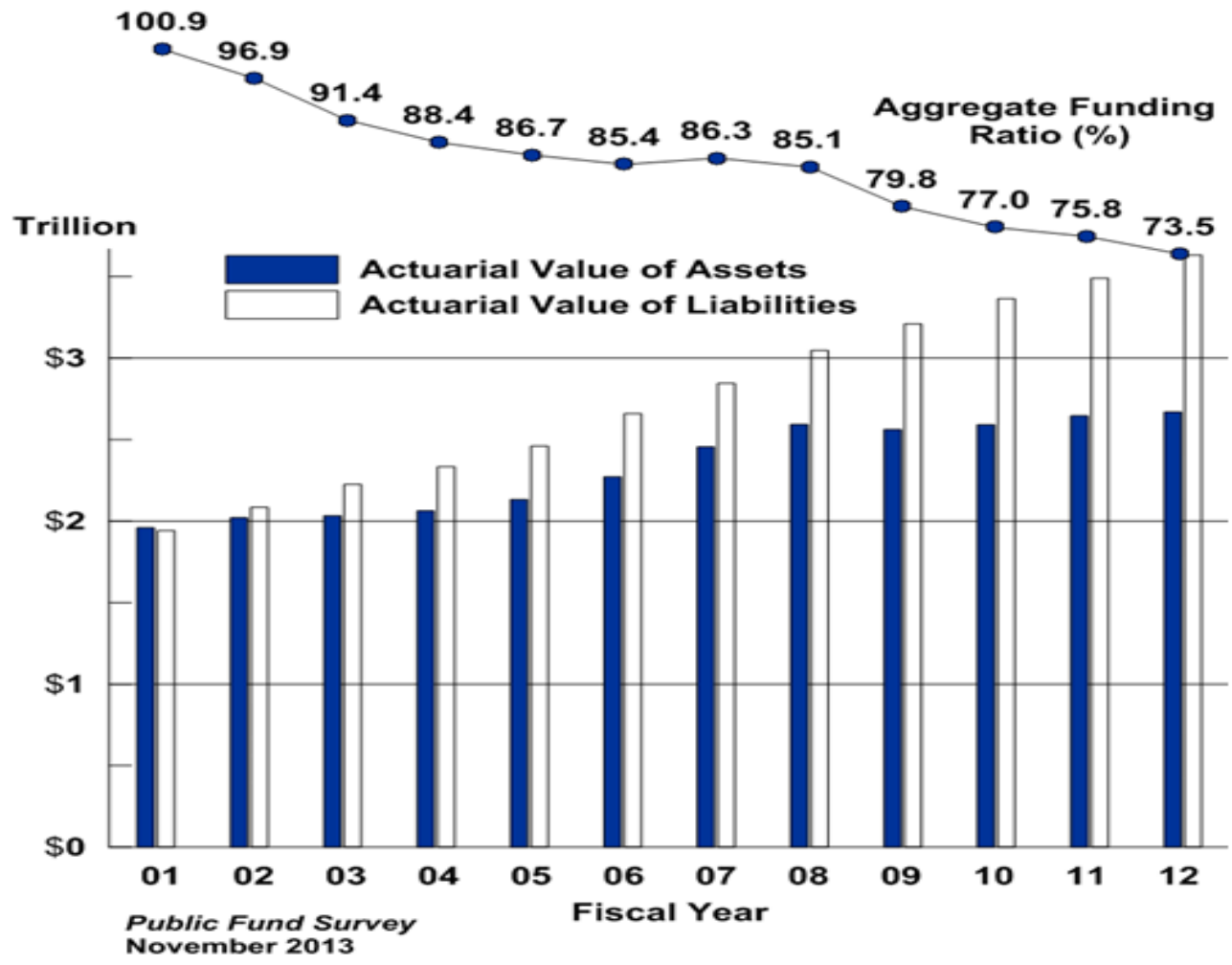
June 25, 2014

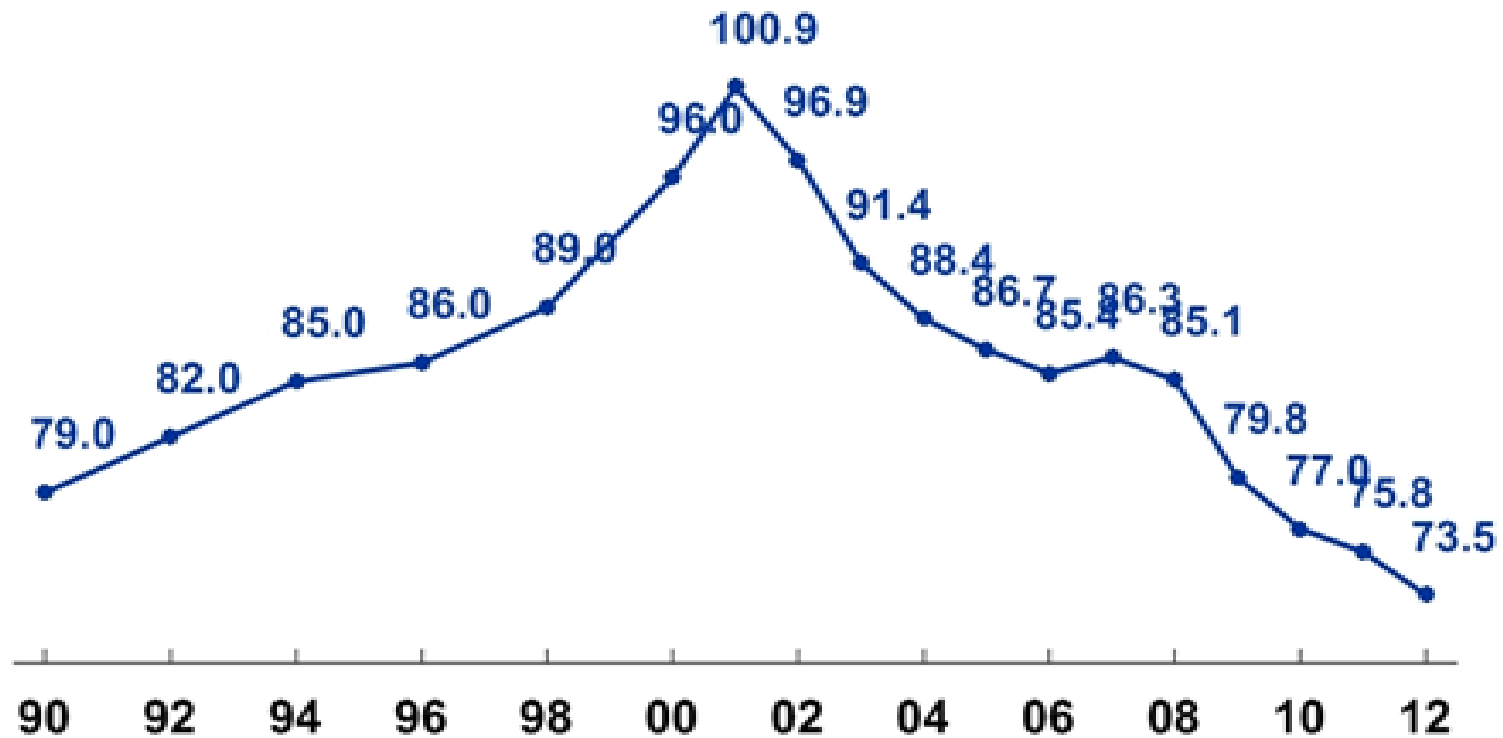
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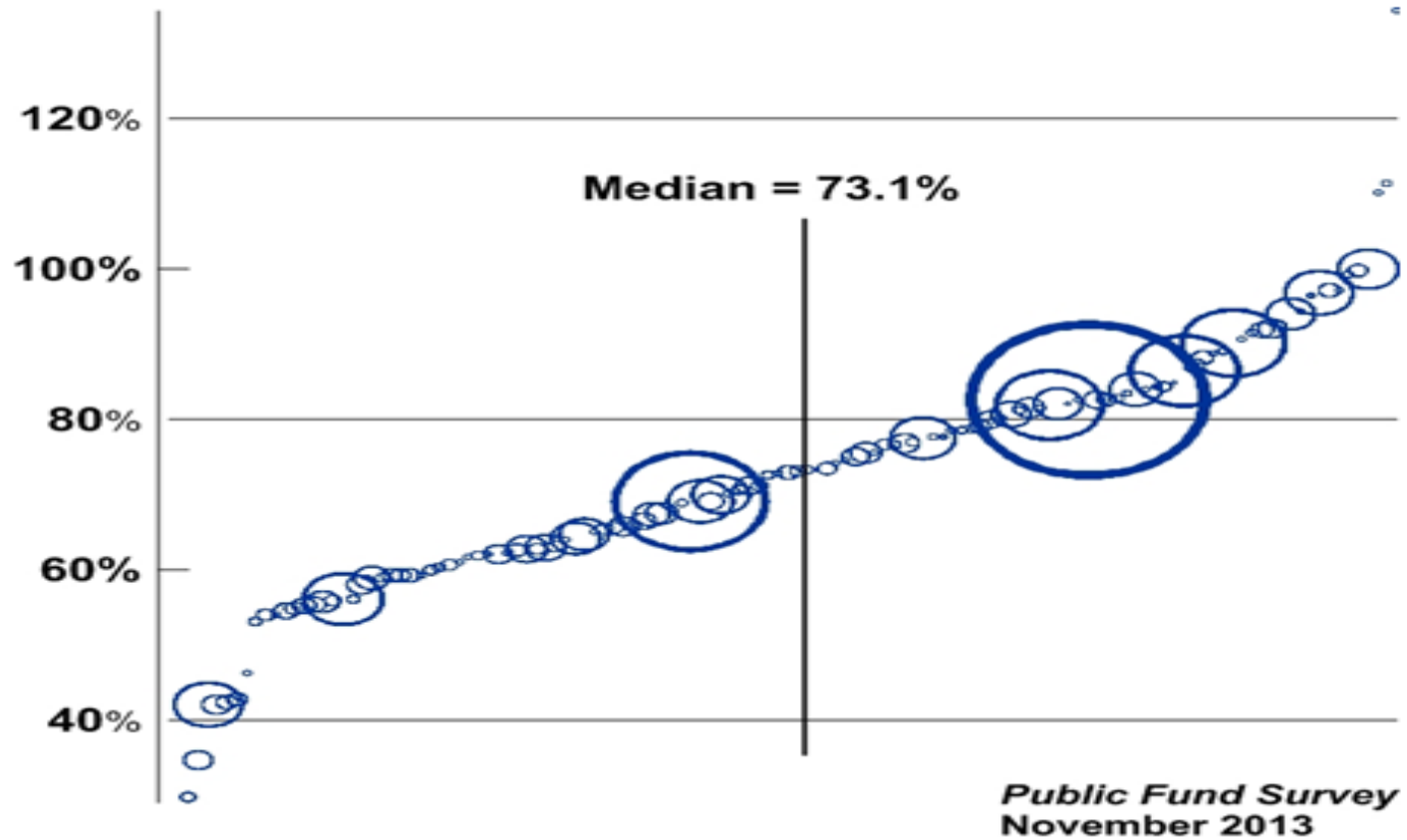
NASRA – Public Fund Survey

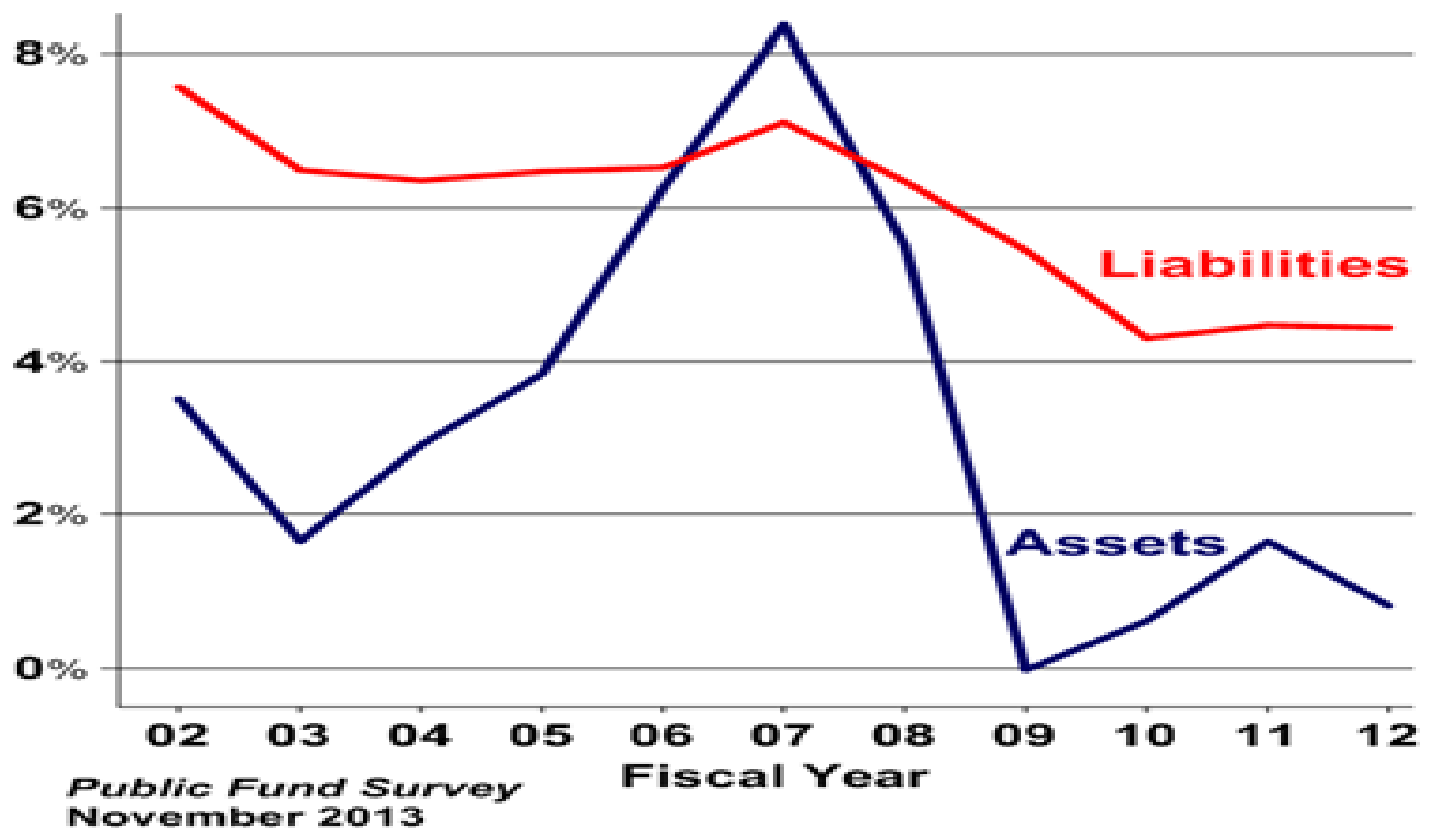


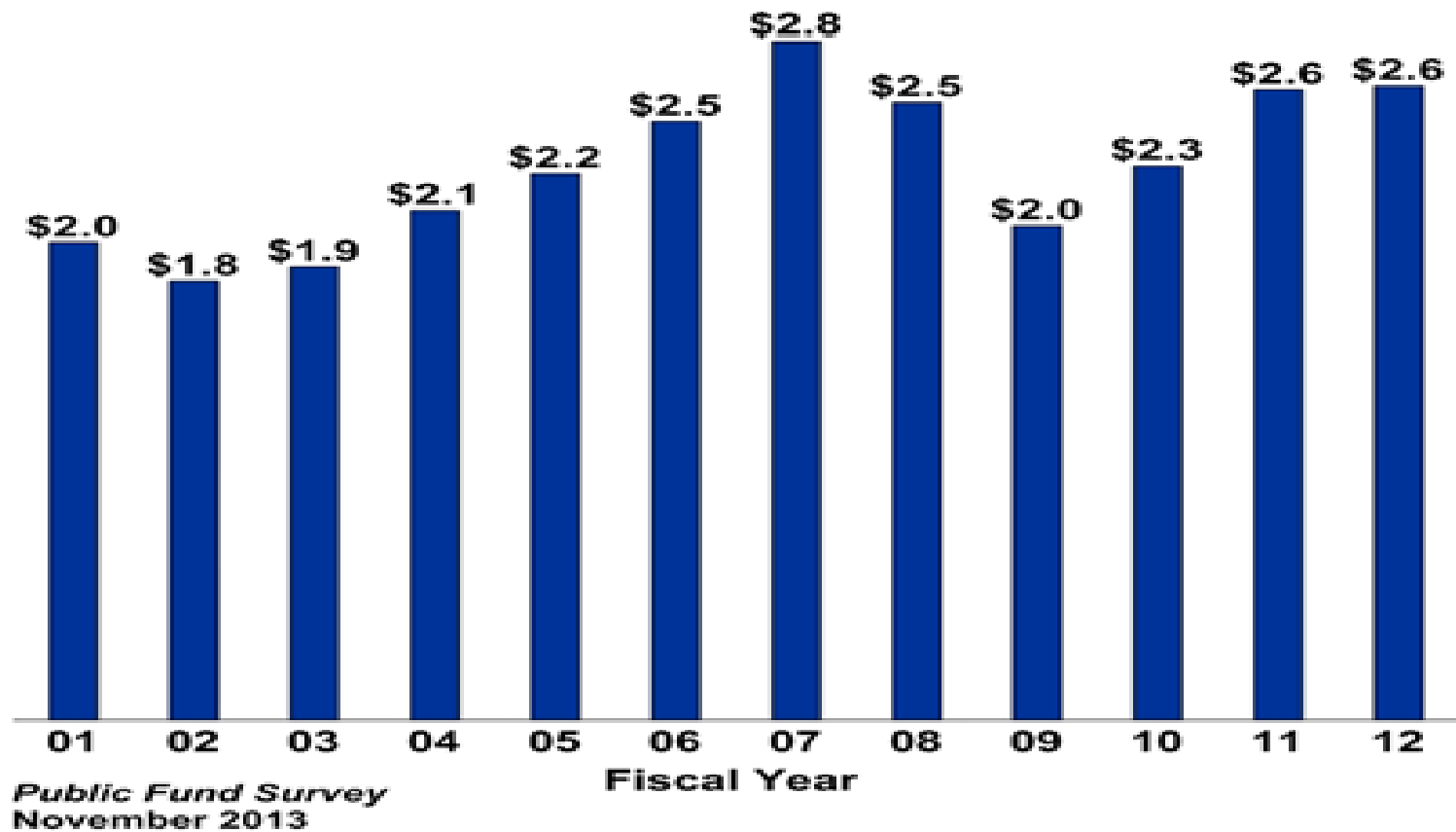


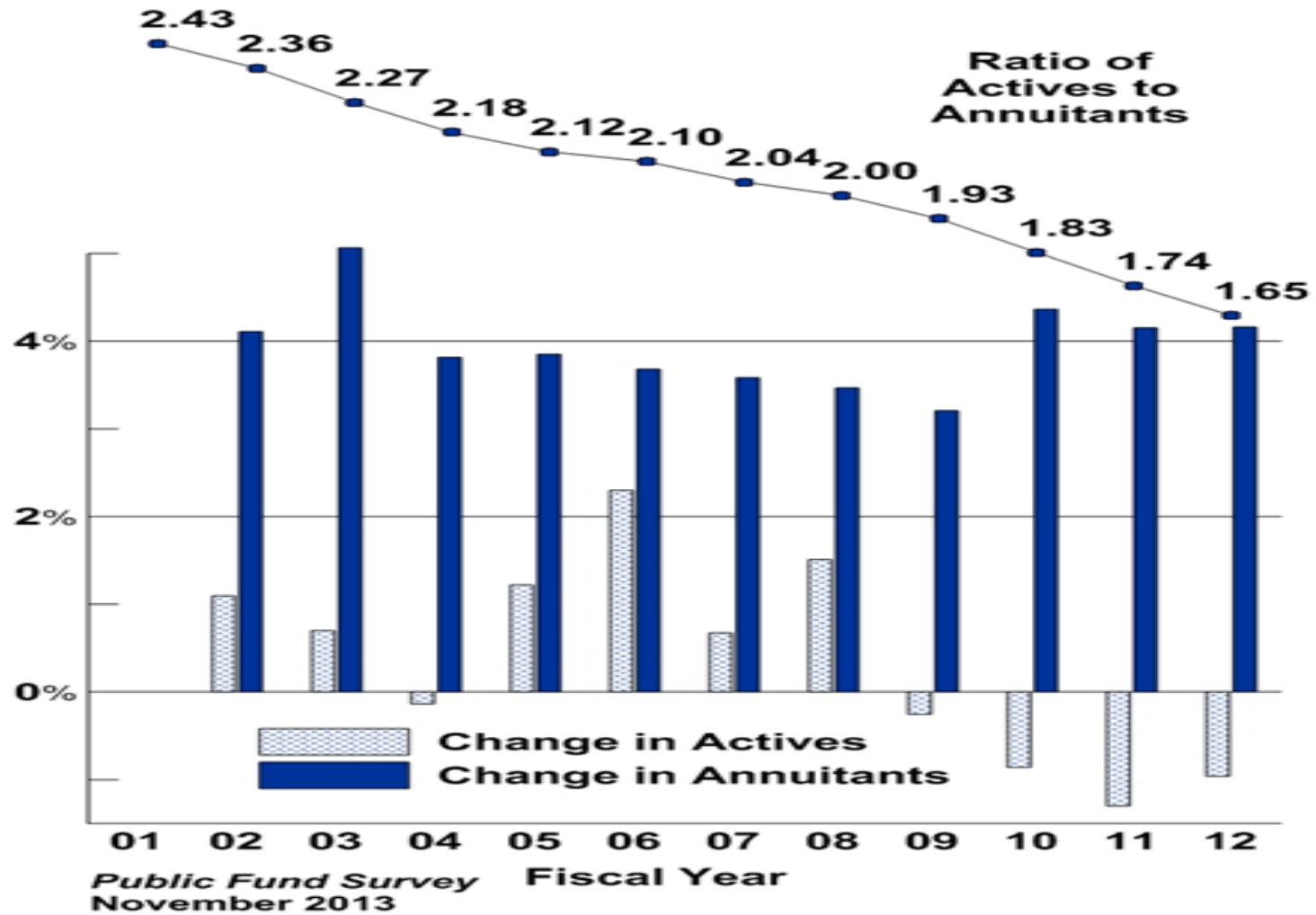
*Public Fund Survey
and Standard & Poor's
November 2013*

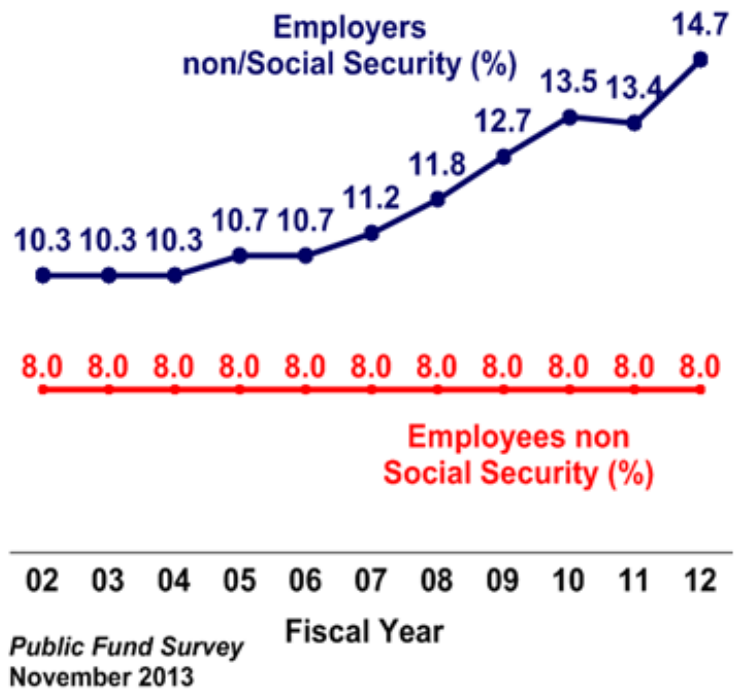
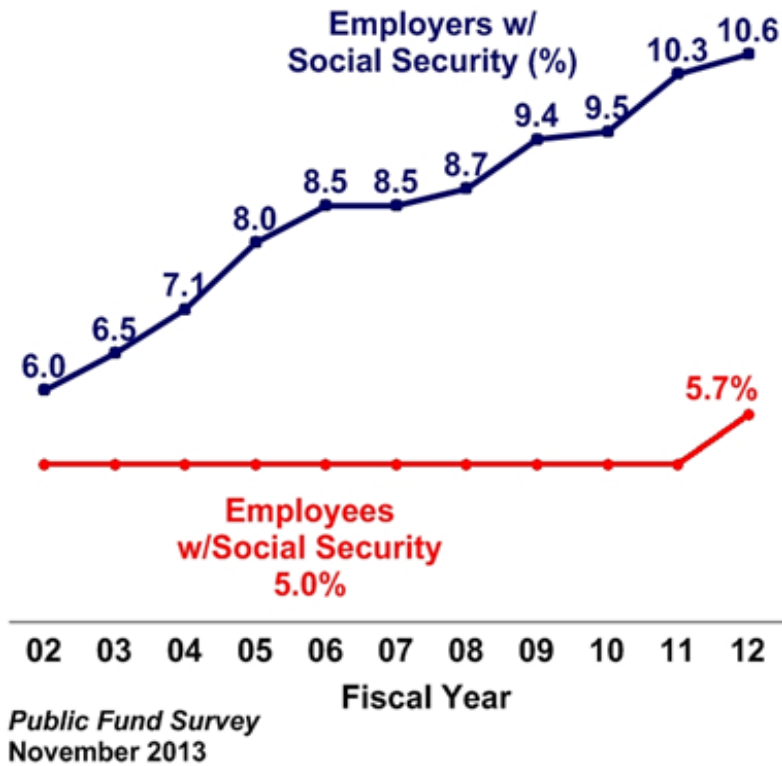
Fiscal Year

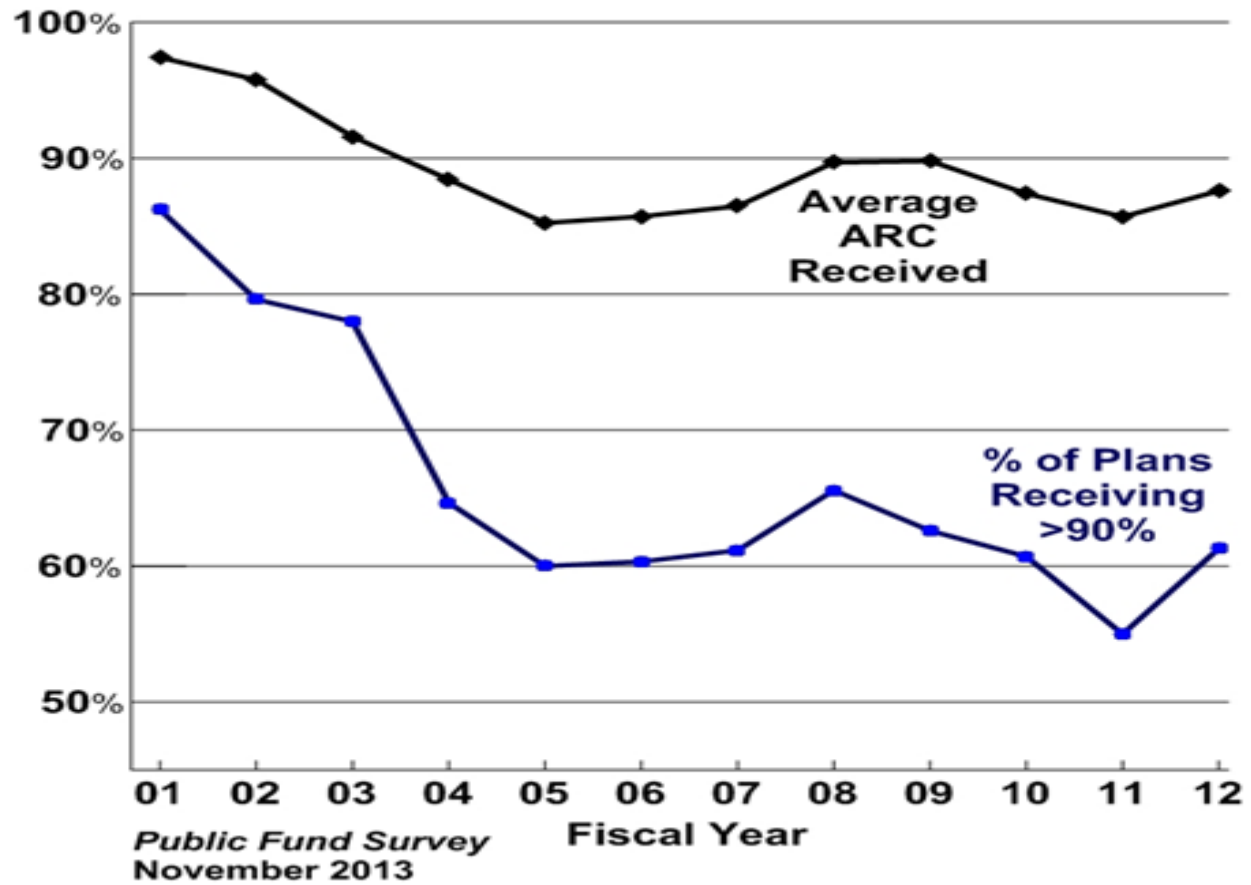


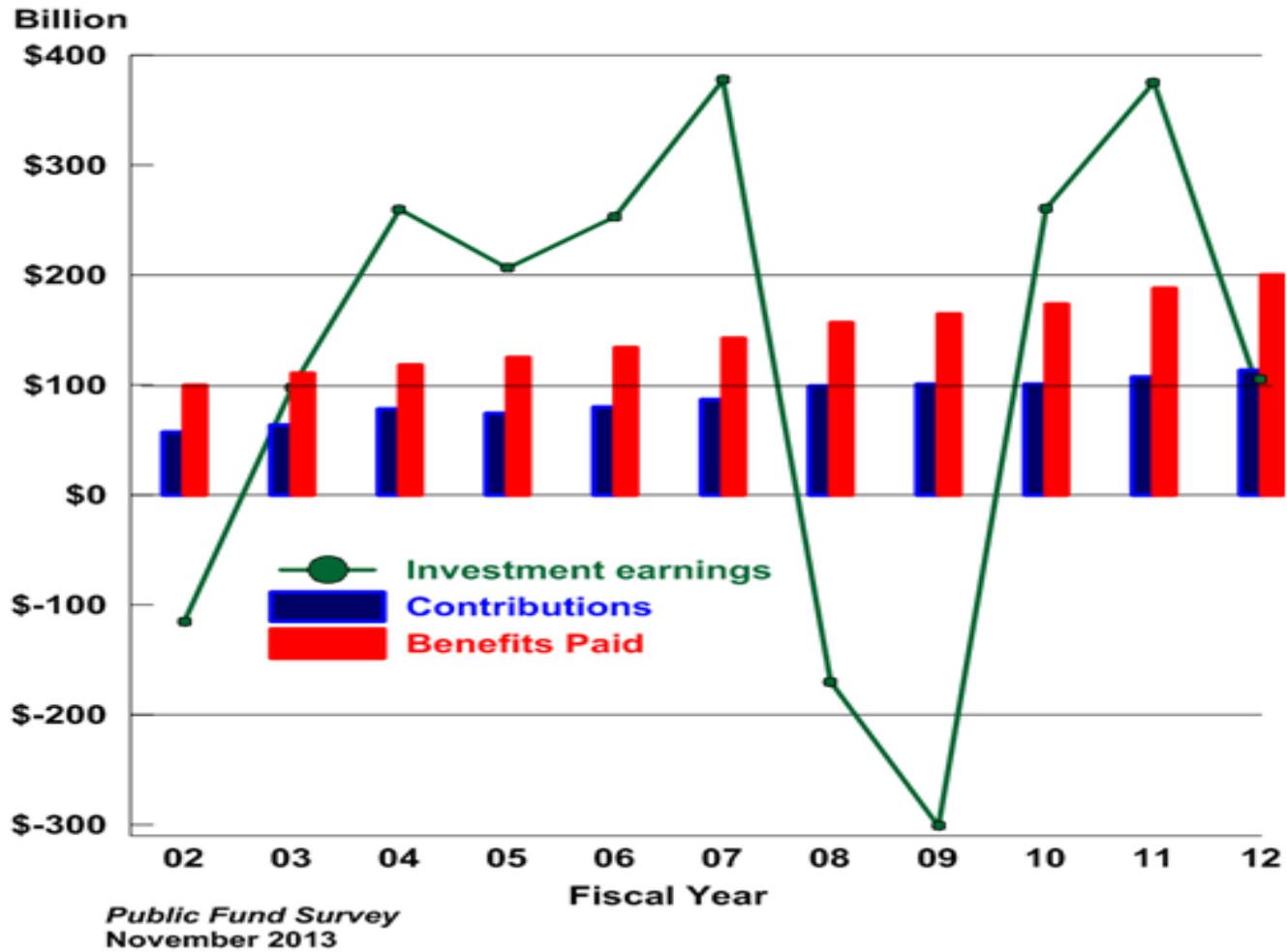


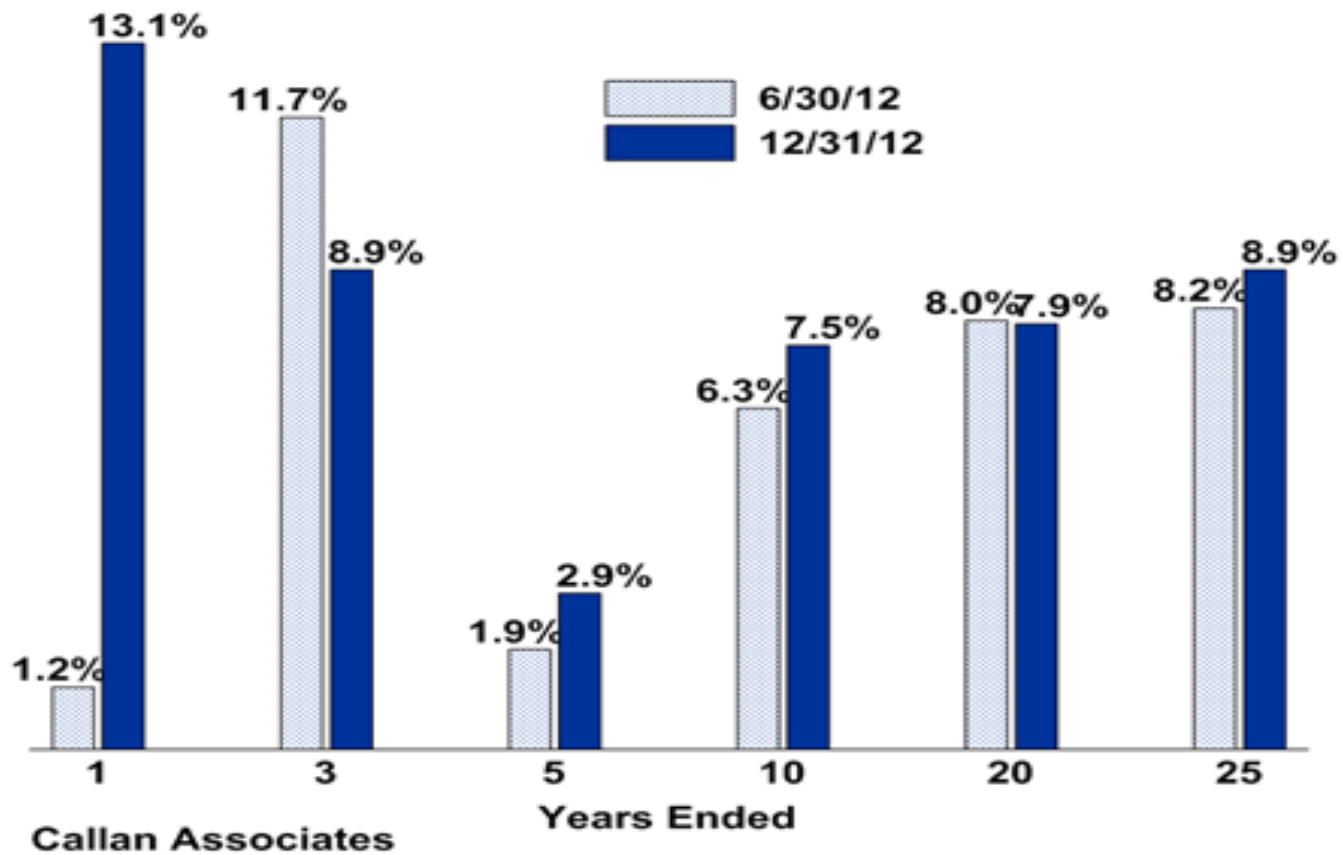




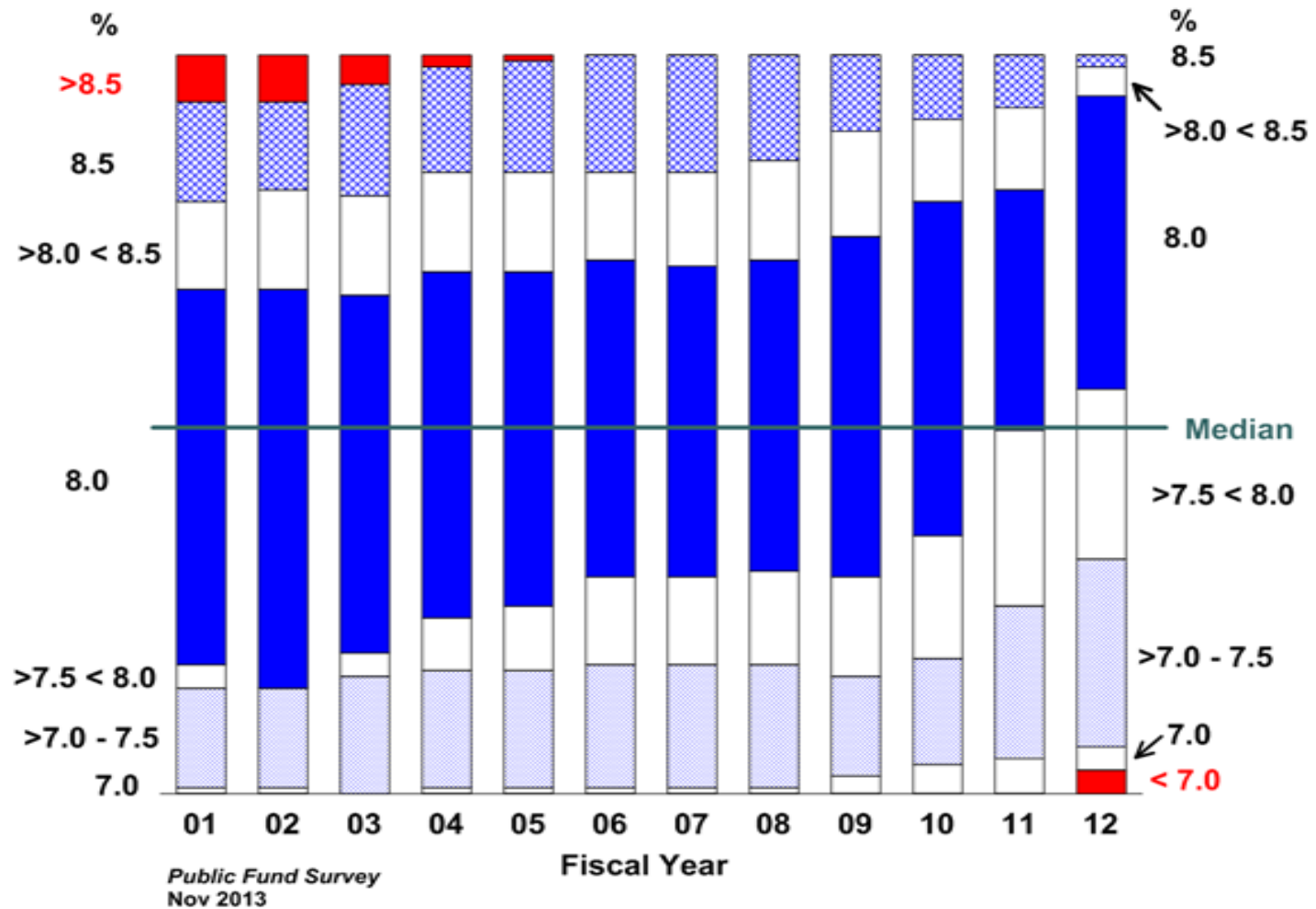


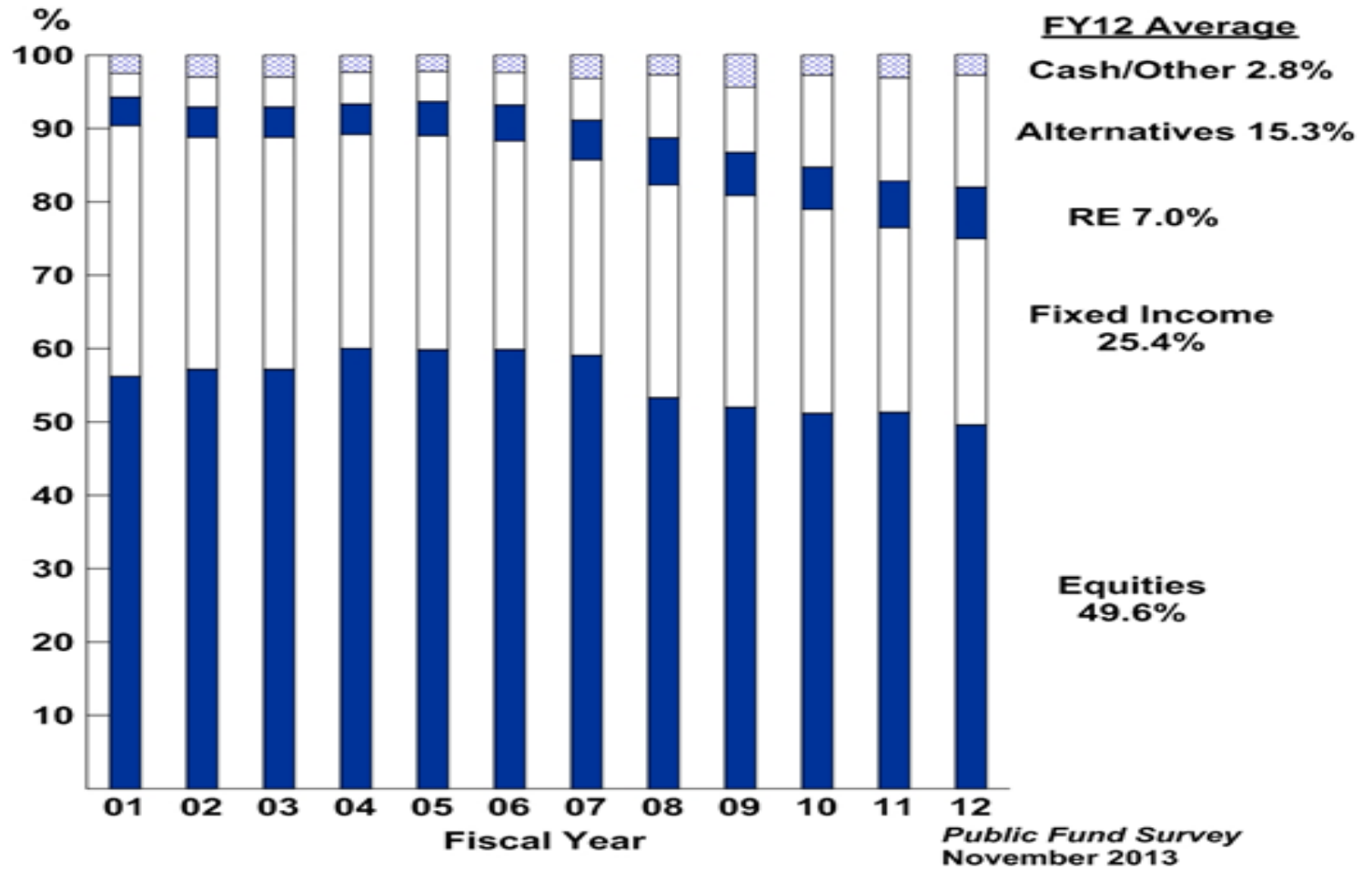






Assumed Rates of Return





Greenwich Survey

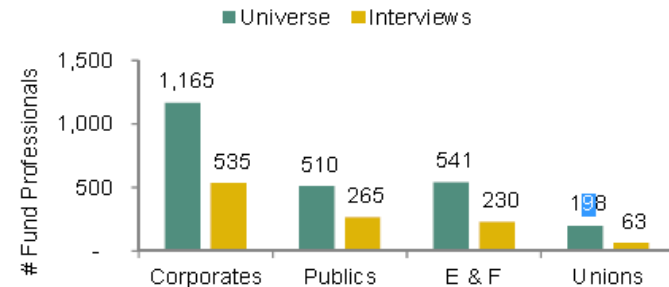
Methodology

About the Research

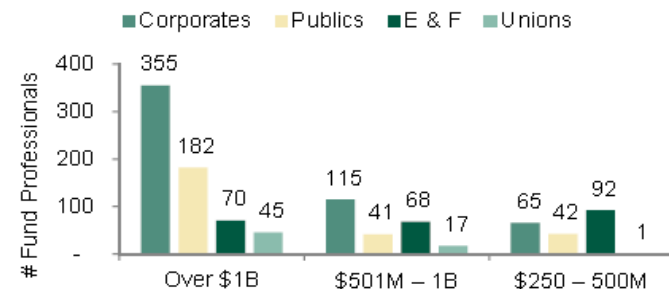
- Greenwich Associates' 42nd annual research with U.S. Institutional Investors is based on in-depth interviews conducted in-person between July and October of 2013.
- Respondents were 1,093 individuals from the largest tax-exempt funds in the United States out of a universe of over 2,500 corporate pension funds, public pensions funds, and endowments and foundations, each with assets greater than \$250 million. Individuals interviewed include:
 - 535 corporate fund respondents
 - 265 public fund respondents
 - 130 foundation respondents
 - 99 endowment respondents
 - 63 union respondents
- Senior fund professionals were asked to provide quantitative and qualitative evaluations of their investment managers' investment and servicing capabilities and also of the managers soliciting their business. Fund professionals were also asked detailed information on important market trends.

Source: Greenwich Associates 2013, USII-13.

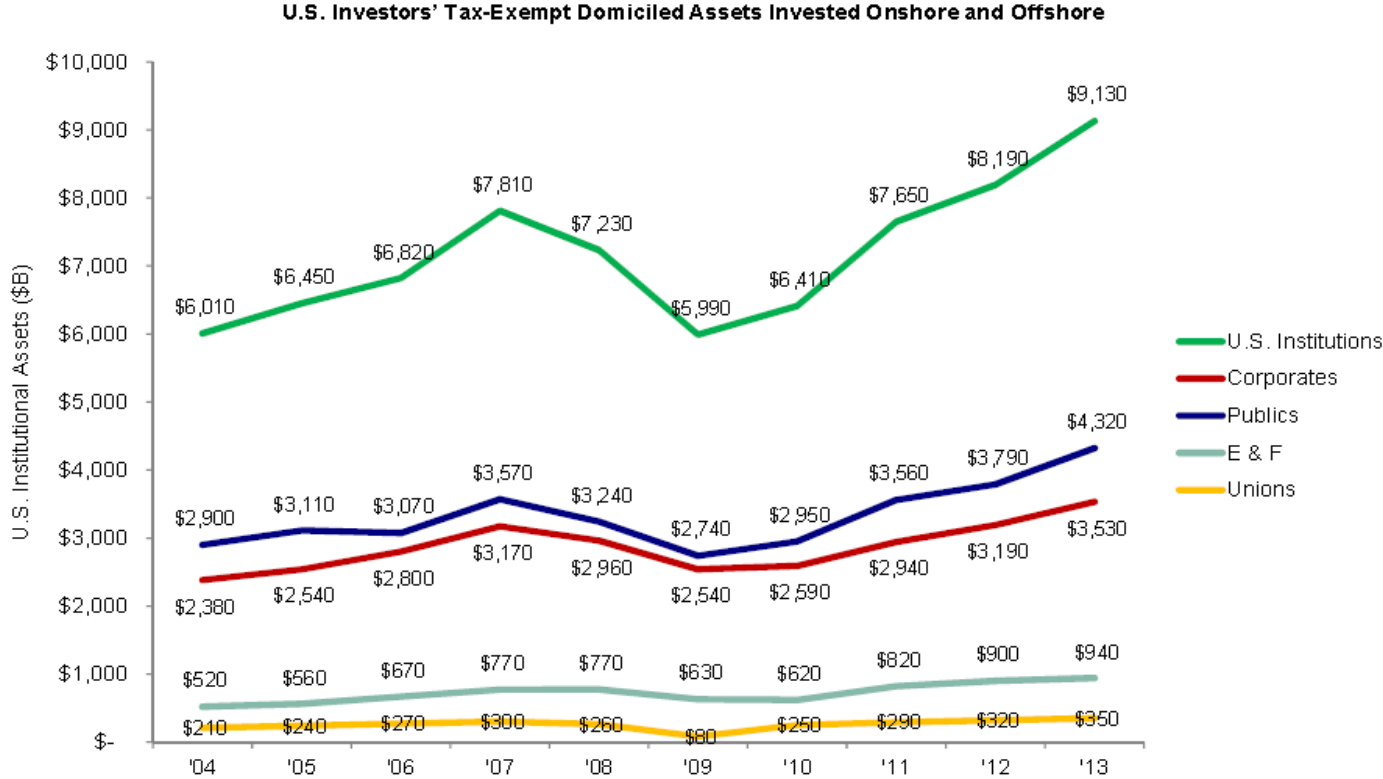
Interviews Conducted with U.S. Fund Professionals 2013, by Institution Type



Interviews Conducted with U.S. Fund Professionals 2013, by Size



Total U.S. institutional assets appreciated at a healthy rate (11%) this year and are now well above pre-crisis levels.

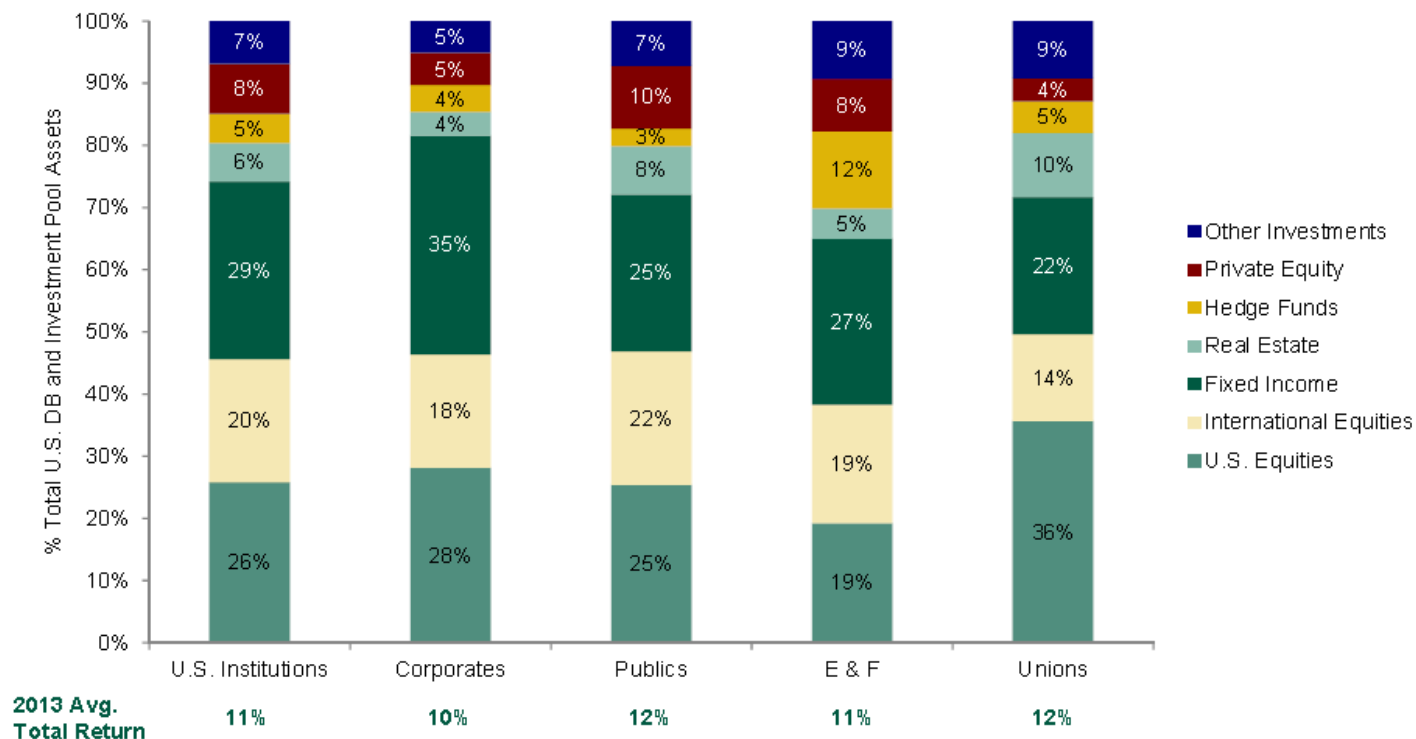


Source: Greenwich Associates 2013, USII-13.
 In billions of U.S. dollars and projected to the Greenwich Associates universe of U.S. institutional investors. Projections based on total assets. At time of interview, valuation calculated within the last six months. Results are for corporate and union DB and DC plans, public fund DB and DC plans, and endowment and foundation investment pools.



Asset allocation continue to be quite different between investor types, reflecting different needs and objectives.

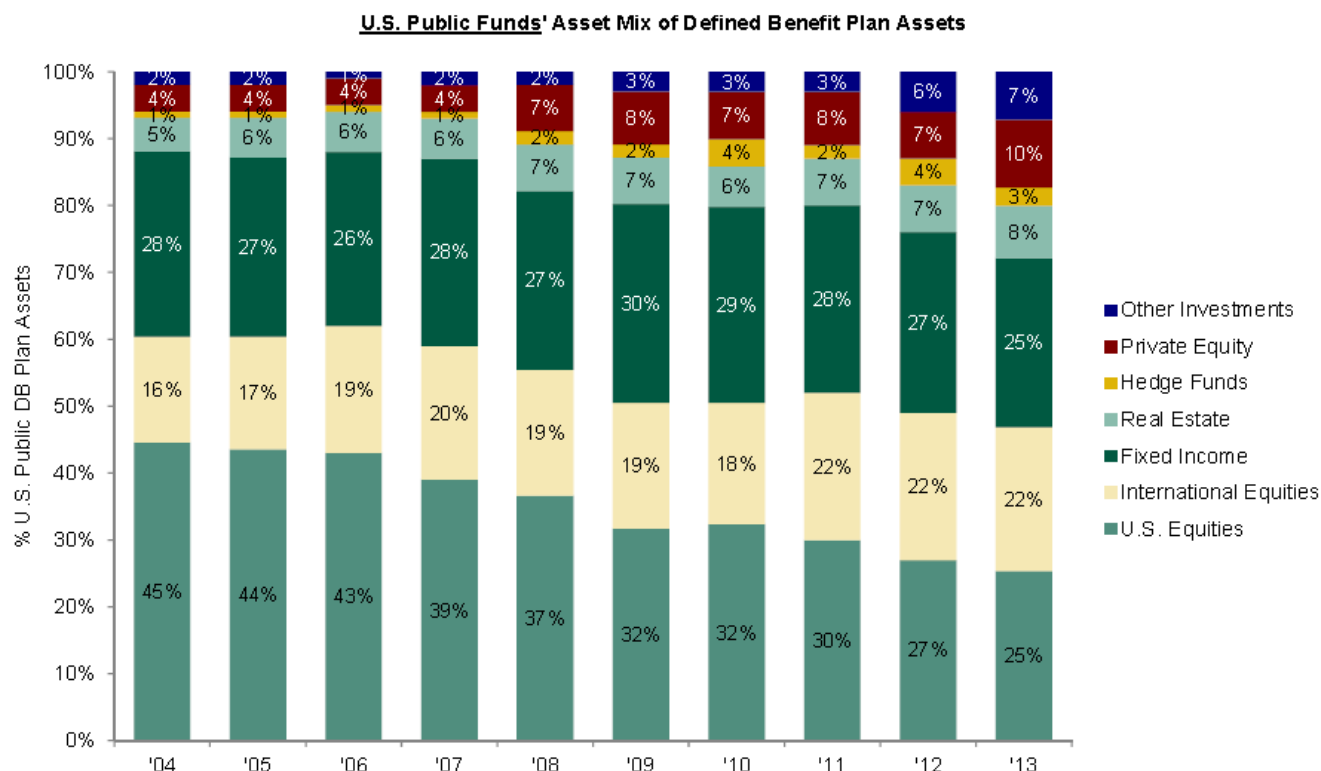
U.S. Institutions' Asset Mix of Defined Benefit Plans and Investment Pool Assets 2013, by Institution Type



Source: Greenwich Associates 2013, USII-13. Percentages are weighted in U.S. dollars and projected to the Greenwich Associates universe of U.S. institutional investors. Projections based only on the assets of institutions disclosing their specific asset allocation. Results are for corporate and union DB plans, public fund DB plans, and endowment and foundation investment pools. Other investments include multi-asset, commodities, and money market. Results exclude outlier allocations.



Public funds are responding to funding shortfalls by significantly increasing allocations to alternative investments, with notable increases this year to private equity.

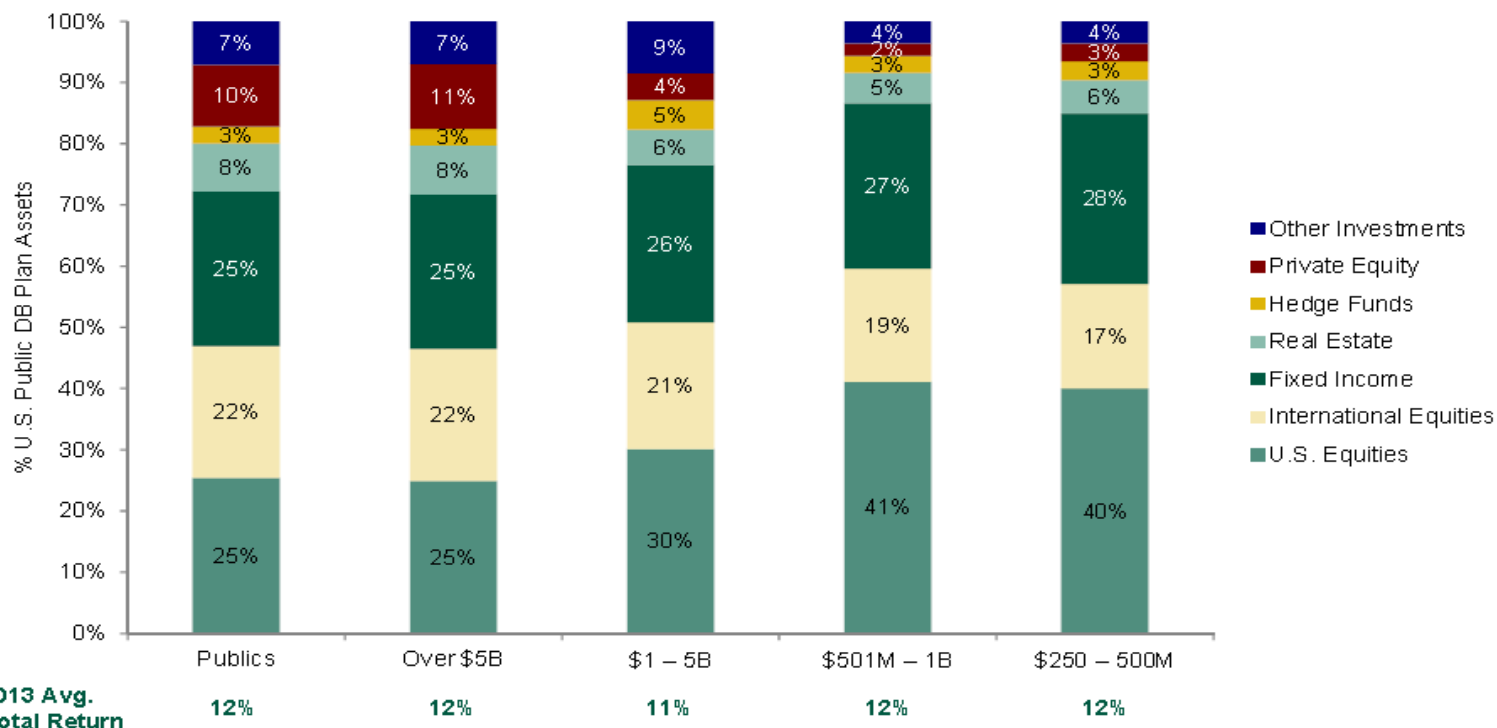


Source: Greenwich Associates 2013, USII-13. Percentages are weighted in U.S. dollars and projected to the Greenwich Associates universe of U.S. institutional investors. Projections based only on the assets of institutions disclosing their specific asset allocation. Results are for public fund DB plans. Other investments include multi-asset, commodities, and money market. Results exclude outlier allocations.



The larger public plans rely more heavily on alternatives and international equity than their smaller counterparts.

U.S. Public Funds' Asset Mix of Defined Benefit Plan Assets 2013, by Size

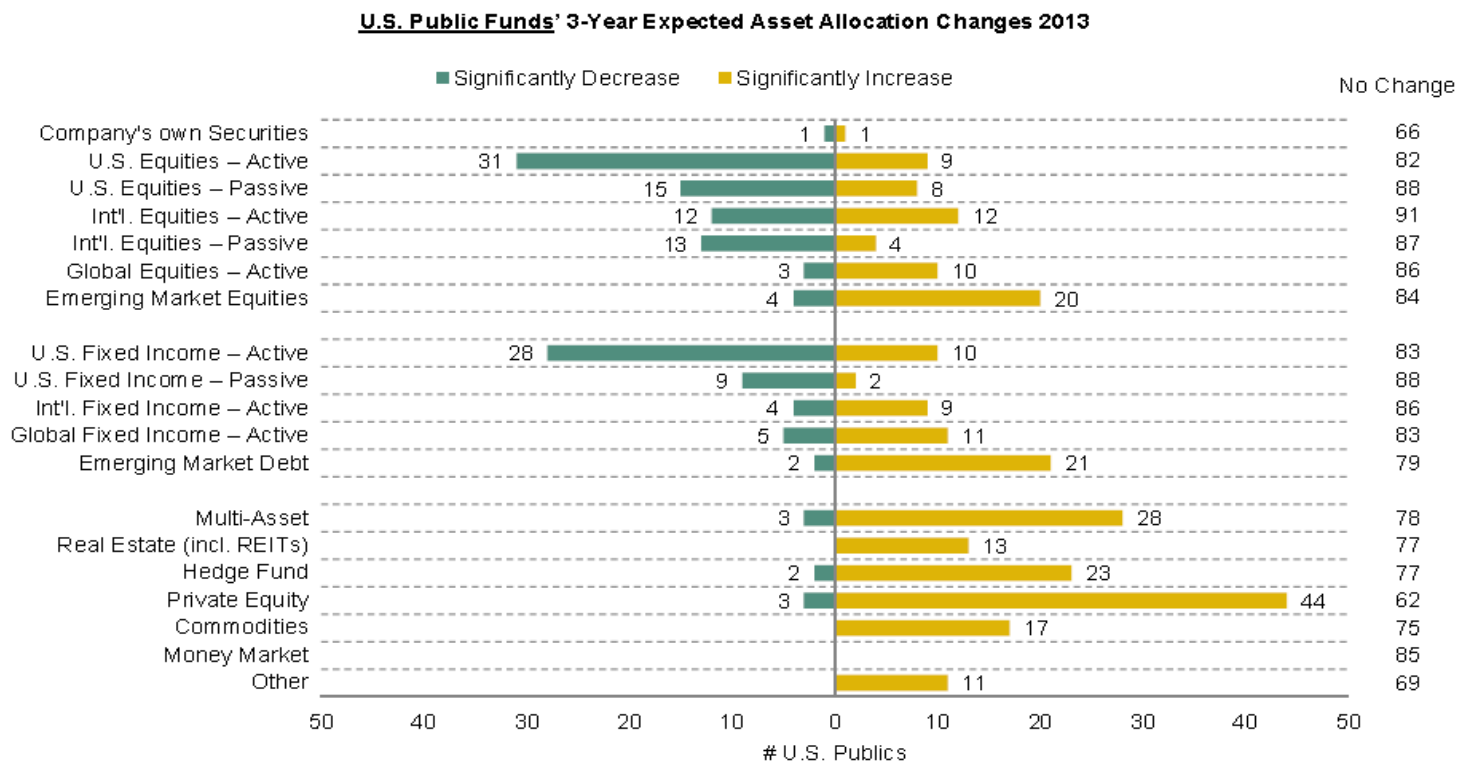


Source: Greenwich Associates 2013, USII-13.

Percentages are weighted in U.S. dollars and projected to the Greenwich Associates universe of U.S. institutional investors. Projections based only on the assets of institutions disclosing their specific asset allocation. Results are for public fund DB plans. Other investments include multi-asset, commodities, and money market. Results exclude outlier allocations.



Public funds will continue to shift portfolios towards higher return seeking categories including alternatives and emerging markets.



Source: Greenwich Associates 2013, USII-13.

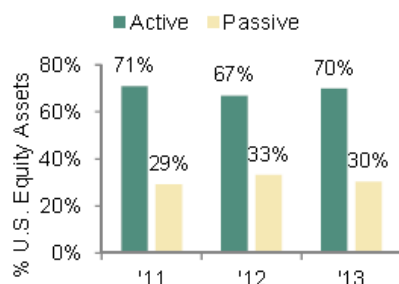
Note: For each category, the balance of institutions not displayed here have indicated no change or no answer. Multi-Asset includes risk parity, asset allocation, GTAA, etc. Results are for public fund DB plans.



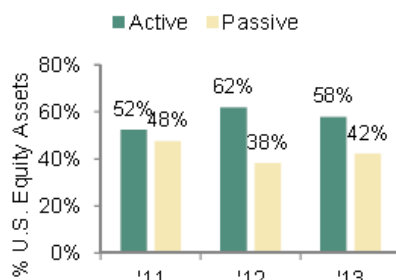
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Public funds tend to employ passive strategies within equity portfolios more frequently than other institutional investor types.

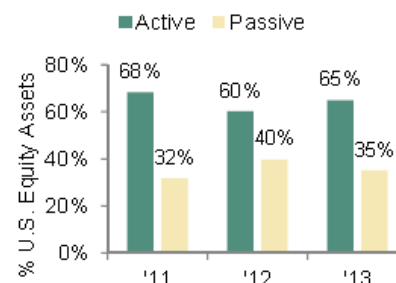
U.S. Corporates' Active-Passive Allocation of U.S. Equity Assets (DB Plans)



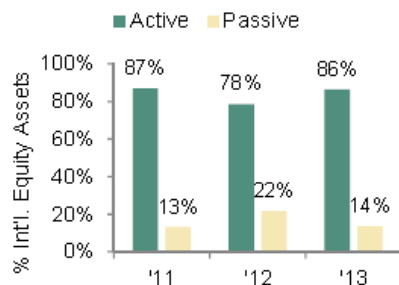
U.S. Publics' Active-Passive Allocation of U.S. Equity Assets (DB Plans)



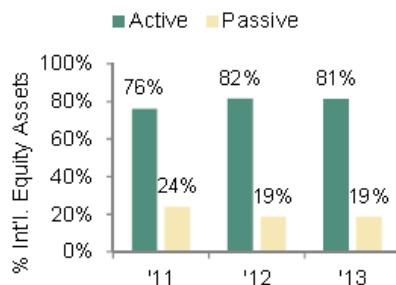
U.S. E & F' Active-Passive Allocation of U.S. Equity Assets (Inv. Pools)



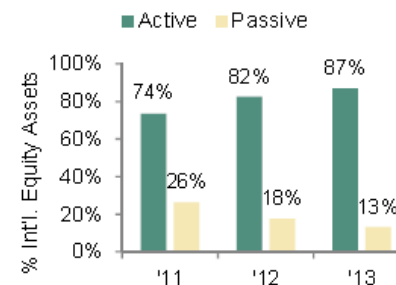
U.S. Corporates' Active-Passive Allocation of Int'l. Equity Assets (DB Plans)



U.S. Publics' Active-Passive Allocation of Int'l. Equity Assets (DB Plans)



U.S. E & F' Active-Passive Allocation of Int'l. Equity Assets (Inv. Pools)



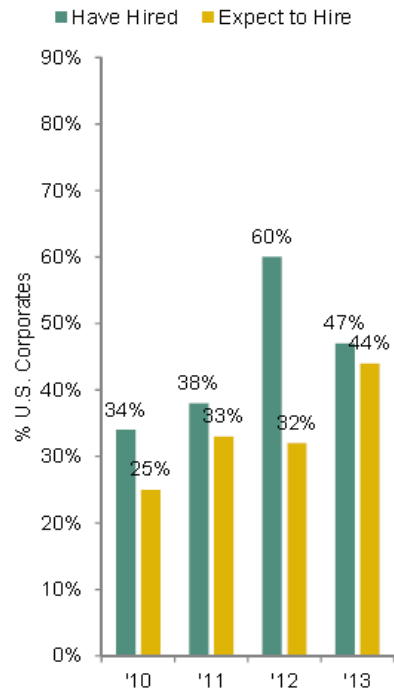
Source: Greenwich Associates 2013, USII-13.

Percentages are weighted in U.S. dollars and projected to the Greenwich Associates universe of U.S. institutional investors. Projections based only on the assets of institutions disclosing their specific asset allocation. Results are for corporate and union DB plans, public fund DB plans, and endowment and foundation investment pools.

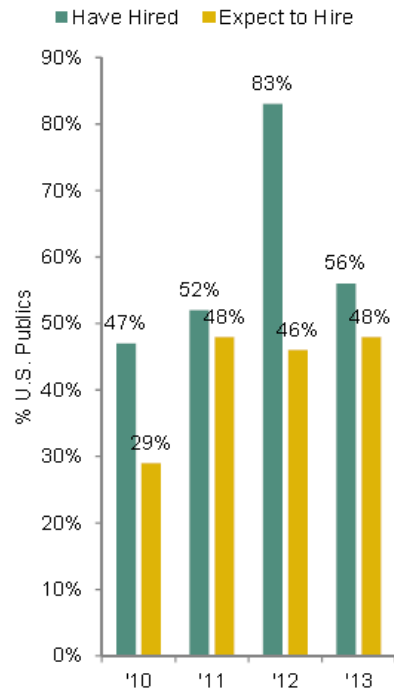


Public pension plans and endowments and foundations have been, and are expected to be, most active in hiring of managers.

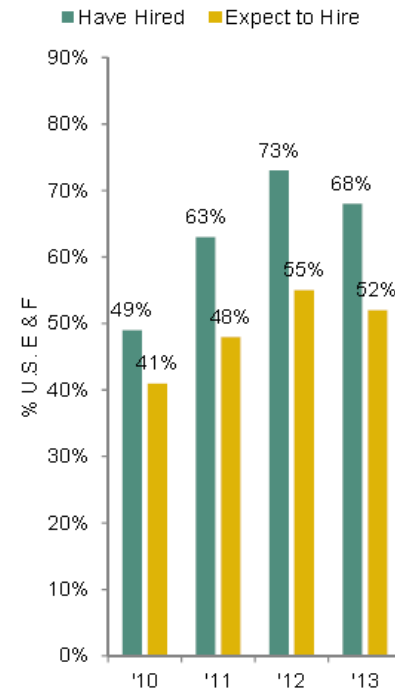
**Product Hiring and Hiring Expectations
Among U.S. Corporate Funds**



**Product Hiring and Hiring Expectations
Among U.S. Public Funds**



**Product Hiring and Hiring Expectations
Among U.S. Endowments & Foundations**



Source: Greenwich Associates 2013, USH-13.
 "Have Hired" refers to mandates or assignments U.S. institutions have hired for – additional or replacement – in the past 12 months. "Expect to Hire" refers to anticipated hiring for mandates or assignments in the next 12 months.



Active U.S. equity fees remain unchanged despite shrinking allocations to the asset class.

U.S. Institutions' Average Fees Paid to Active U.S. Equity Managers

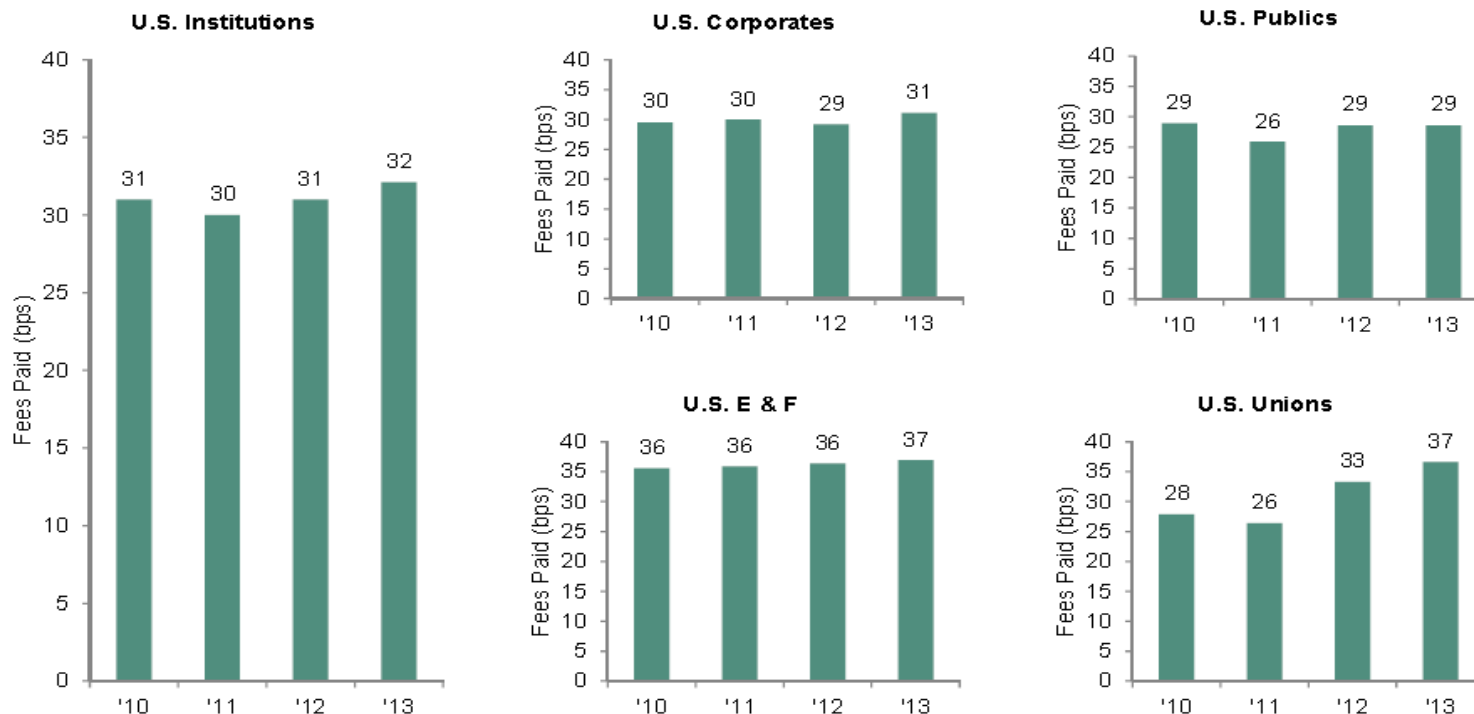


Source: Greenwich Associates 2013, USII-13. Mean calculation does not include values of zero or null. Values shown in basis points. Results are for corporate and union fund defined benefit plan assets, public fund defined benefit plan assets, and endowment and foundation fund investment pool assets.



Shifts to specialty products are driving average fixed income fee levels upwards for the second consecutive year.

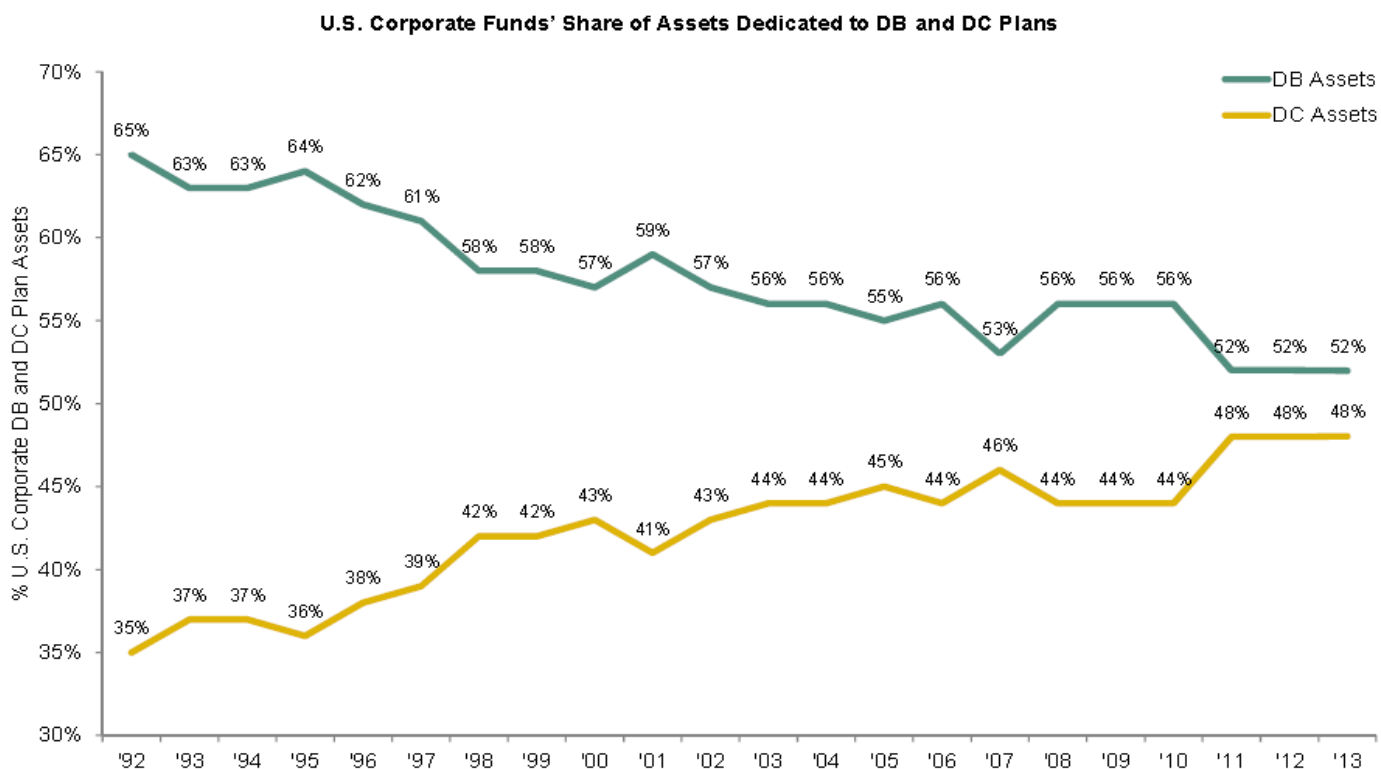
U.S. Institutions' Average Fees Paid to Active Fixed Income Managers



Source: Greenwich Associates 2013, USII-13.
 Mean calculation does not include values of zero or null. Values shown in basis points. Results are for corporate and union fund defined benefit plan assets, public fund defined benefit plan assets, and endowment and foundation fund investment pool assets.



Among large corporations (>\$250M in plan assets), total Defined Contribution assets have not yet eclipsed Defined Benefit assets.



Source: Greenwich Associates 2013, USII-13.
 Percentages are weighted in U.S. dollars and projected to the Greenwich Associates universe of U.S. institutional investors. Projections based only on the assets of institutions disclosing their specific asset allocation. Results are for corporate DB and DC plans.

