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Oklahoma State Pension Commission

Public Fund Analysis

June 4, 2015

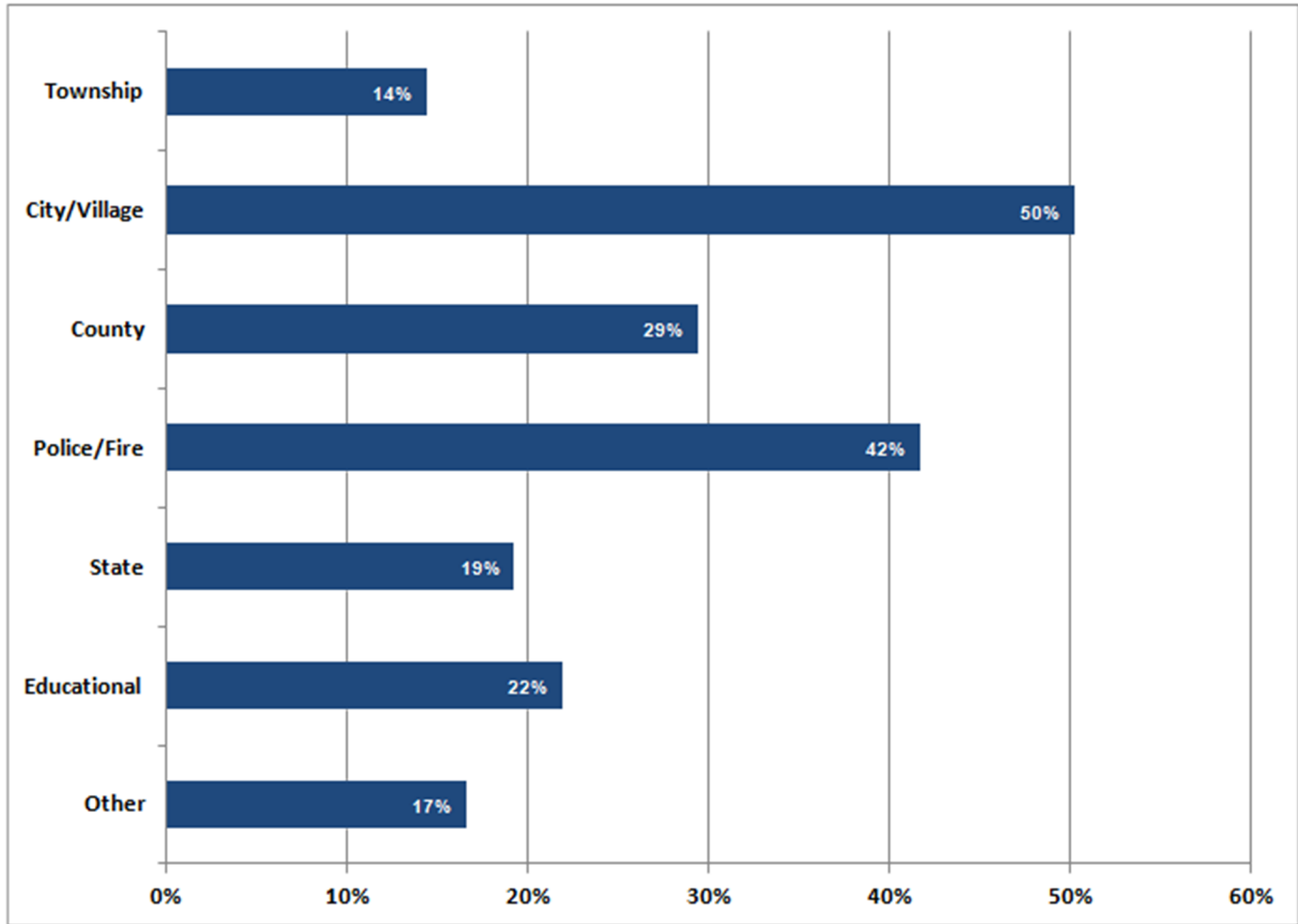
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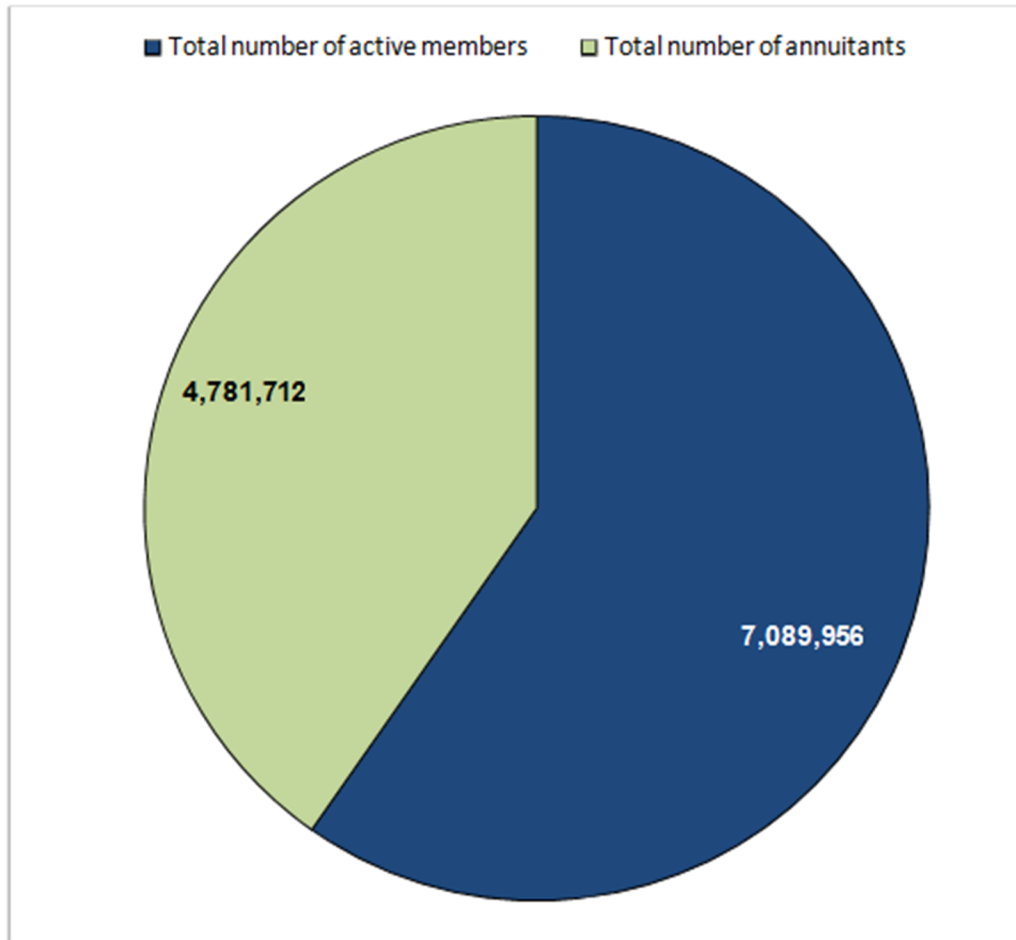
BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | SAN FRANCISCO

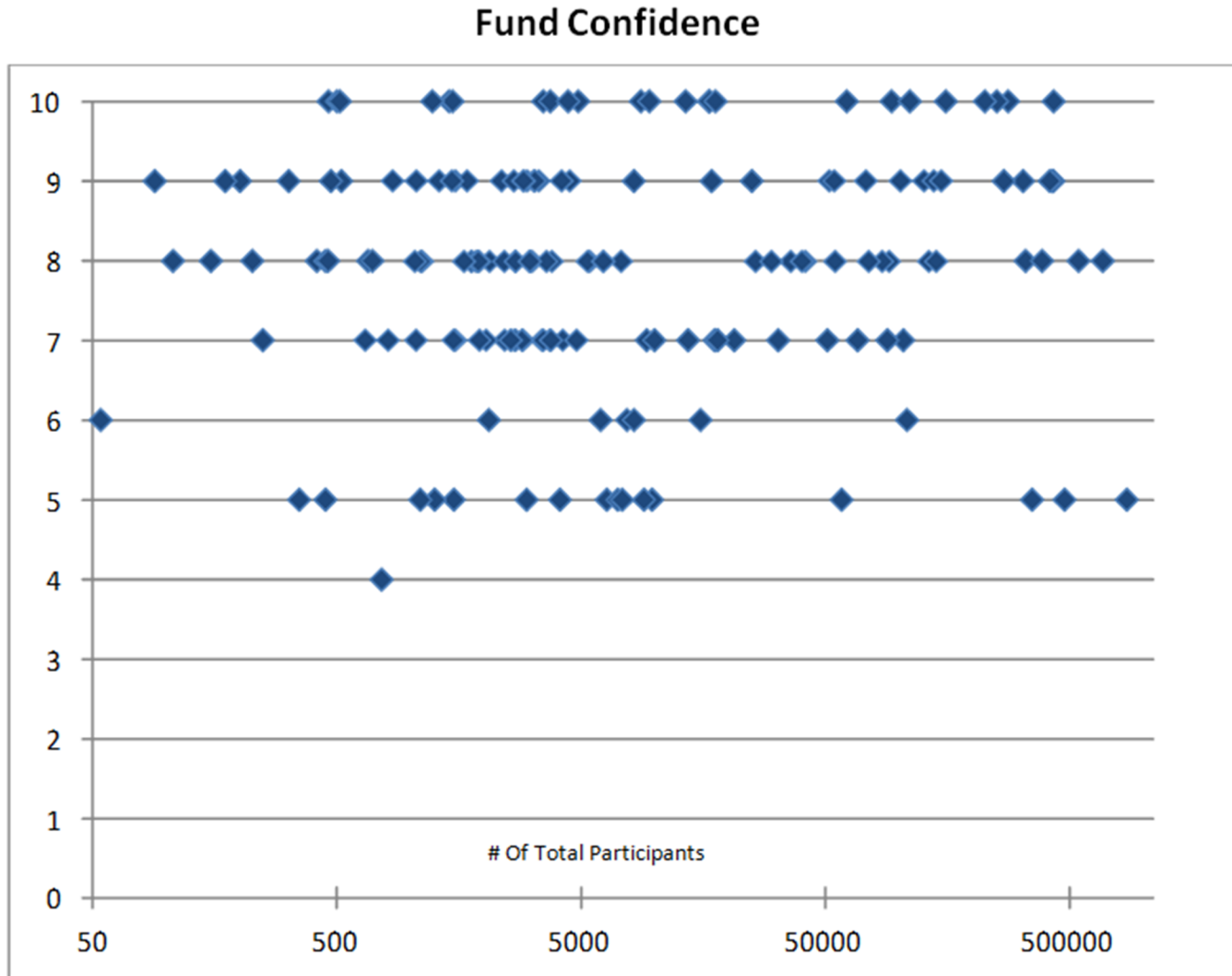
1. Public funds are becoming more confident of their readiness to address retirement trends and issues over the next two years. Respondents' overall confidence rating increased to 7.9 on a 10-point scale (very satisfied =10) compared with the 2013 score of 7.8 and a 2011 score of 7.4.
2. Public funds are becoming more cost effective. The average administrative expense for respondents to administer their fund is 14 basis points (100 basis points equals 1 percentage point). This is a decrease from 16 basis points in 2013. However, investment manager expenses increased from 42 to 47 basis points. The total cost of administering the fund and paying investment managers increased from 57 basis points to 61. According to the 2014 Investment Company Fact Book, the average expenses of most equity funds average 74 basis points and hybrid funds average 80 basis points. This means public retirement funds with lower expenses provide a higher level of benefit to members and produce a higher economic impact for the communities those members live in than most mutual funds.
3. Funds continue to tighten benefits, assumptions and governance. Examples include a continued trend increasing member contribution rates, lowering inflation assumptions, shortening amortization periods, holding actuarial assumed rates of return and lowering the number of retirees receiving health care benefits.
4. Funds are currently experiencing healthy 1-year, 3-year, 5-year and 20-year returns. 10-year returns are reported at 7.6 percent. Respondents' continue to work toward offsetting sharp losses from 2008 and 2009 by strengthening investment discipline. Signs point to long-term improvement in public retirement systems' funded status.
5. Funds experienced an increase in average funded level. Responding funds report an average funded level of 71.5 percent, up from 70.5 percent in 2013. Two factors contributed to the change. First, on average funds saw 1-year investment returns of 15 percent. Second, funds continue to lower amortization periods.
6. Income used to fund pension programs generally comes from three sources: member contributions, employer contributions and investment returns. Investment returns are the most significant source (73 percent). Member contributions make up 8 percent of fund income. Employer contributions equal about 19 percent.

Who Responded?

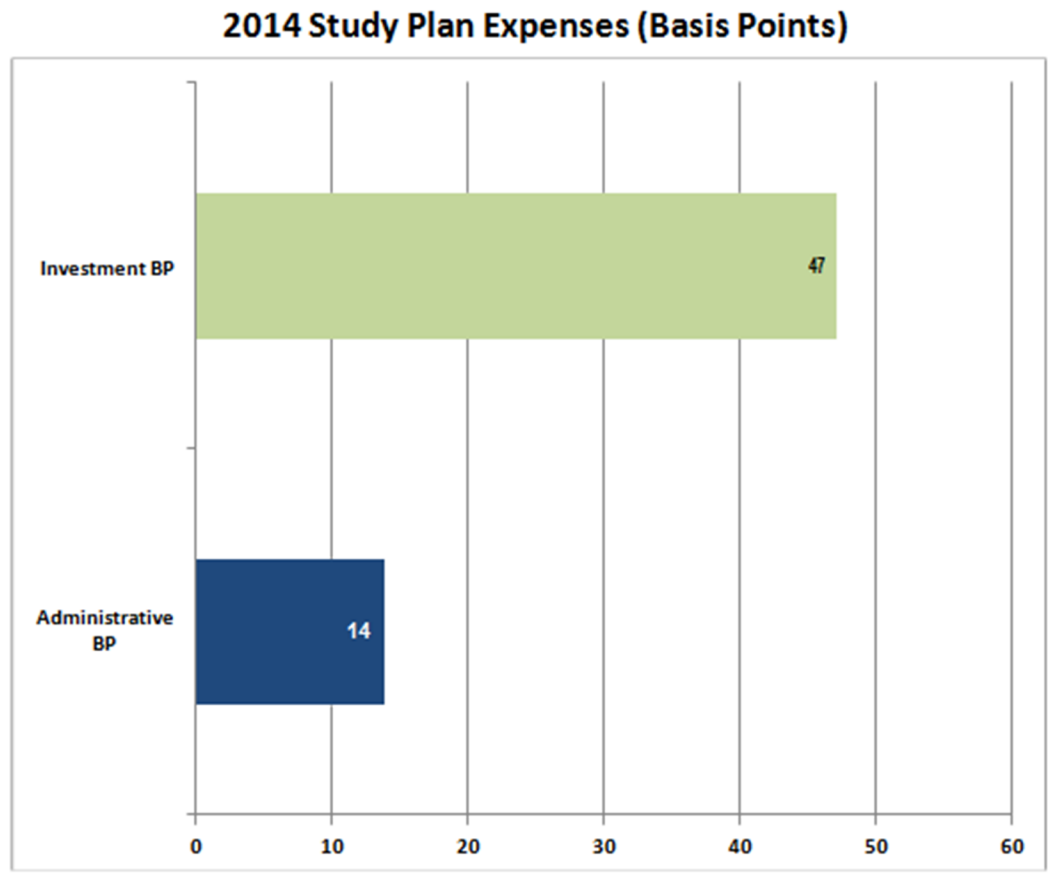


Participants

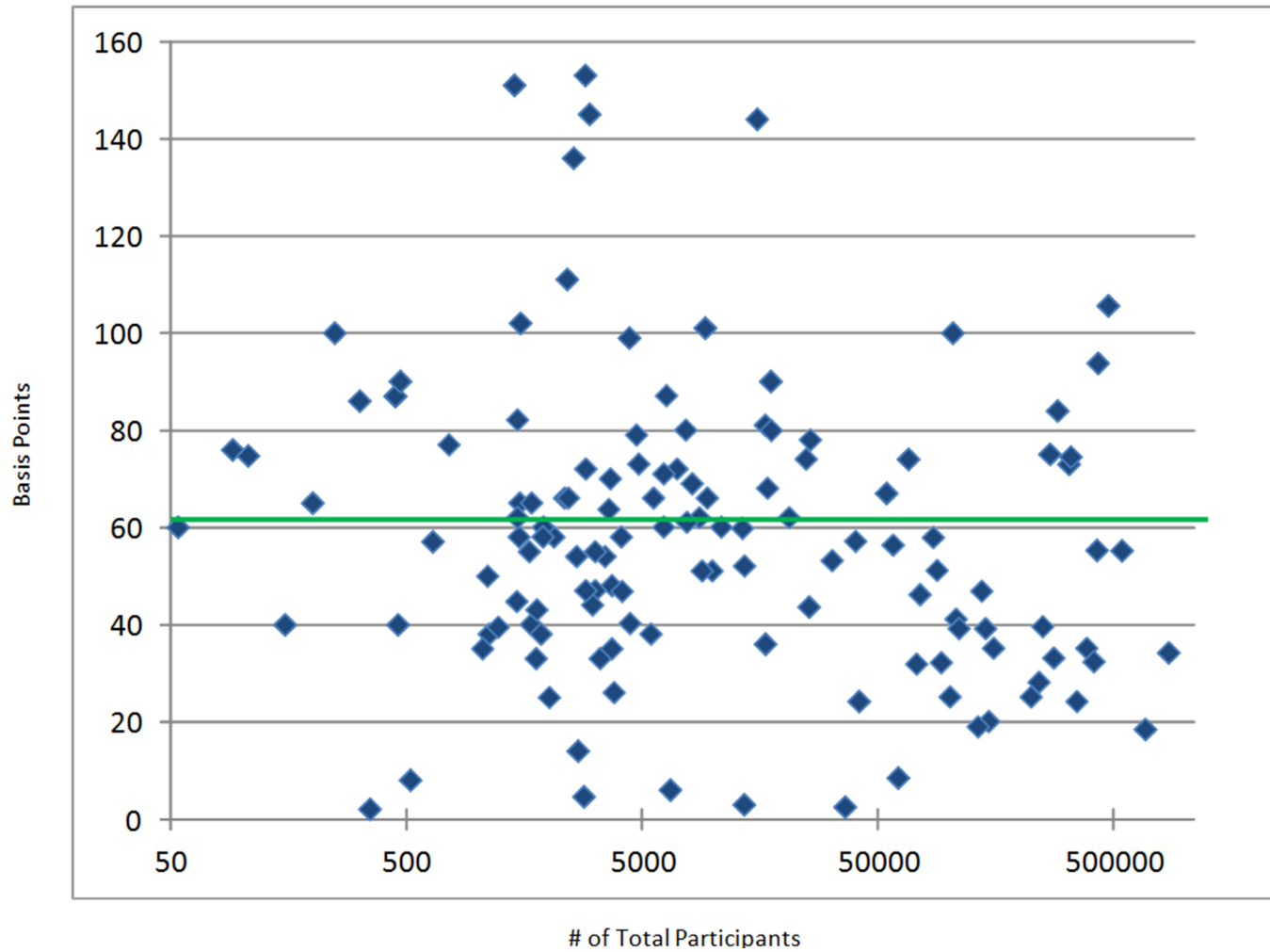




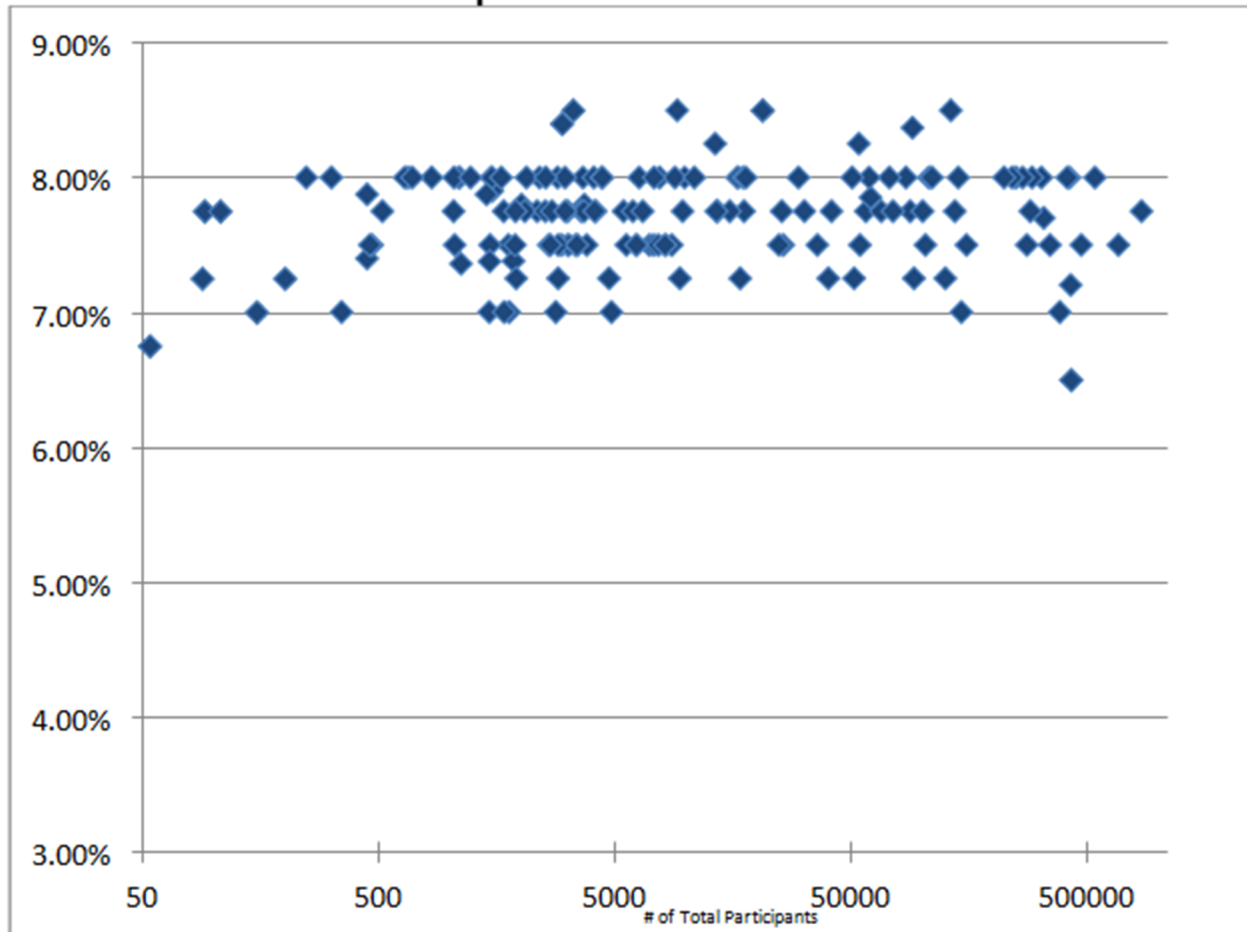
Expenses – 2014 Study Plan Expenses (Basis Points)



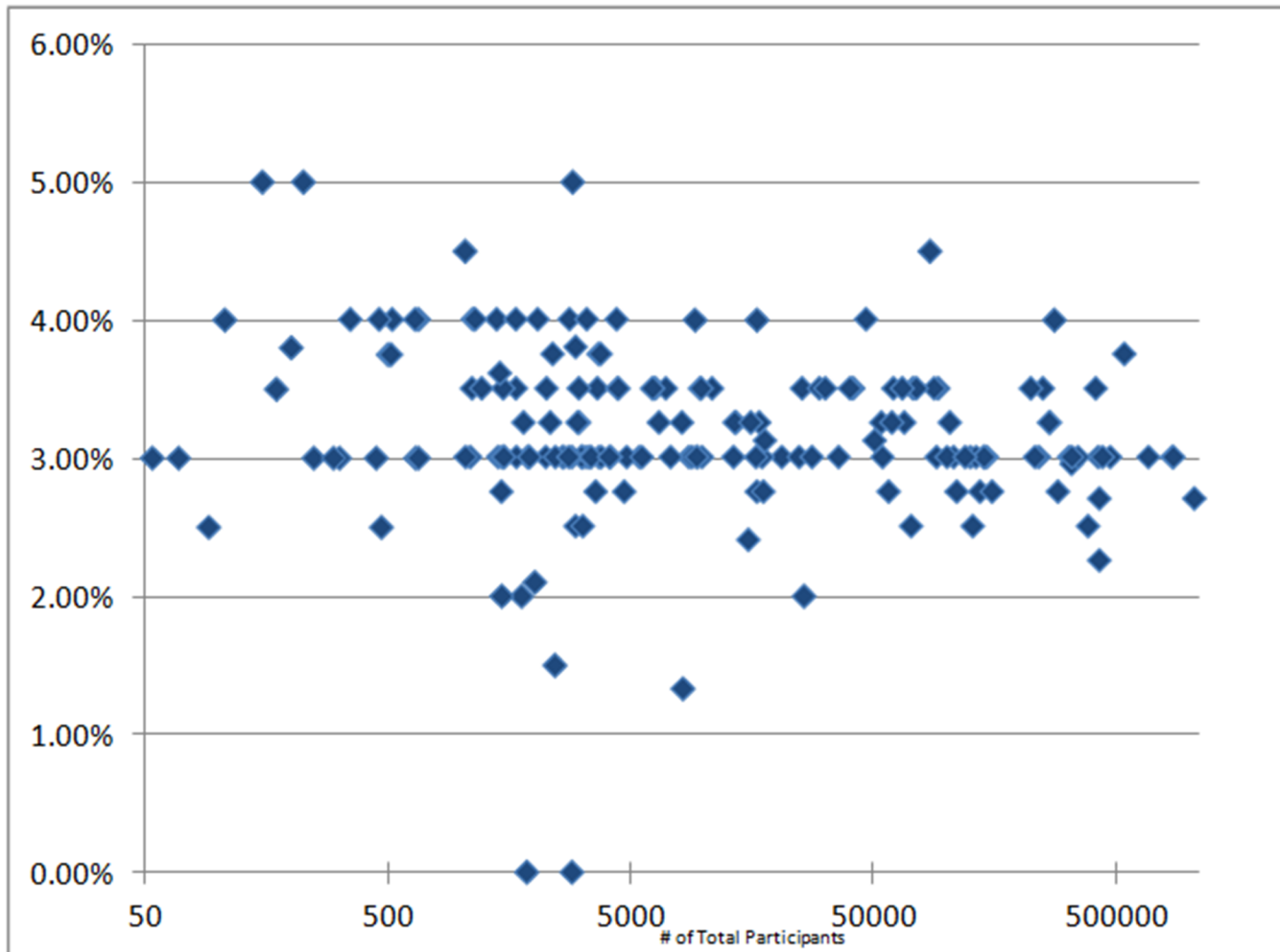
2014 Plan Expense by Fund Size



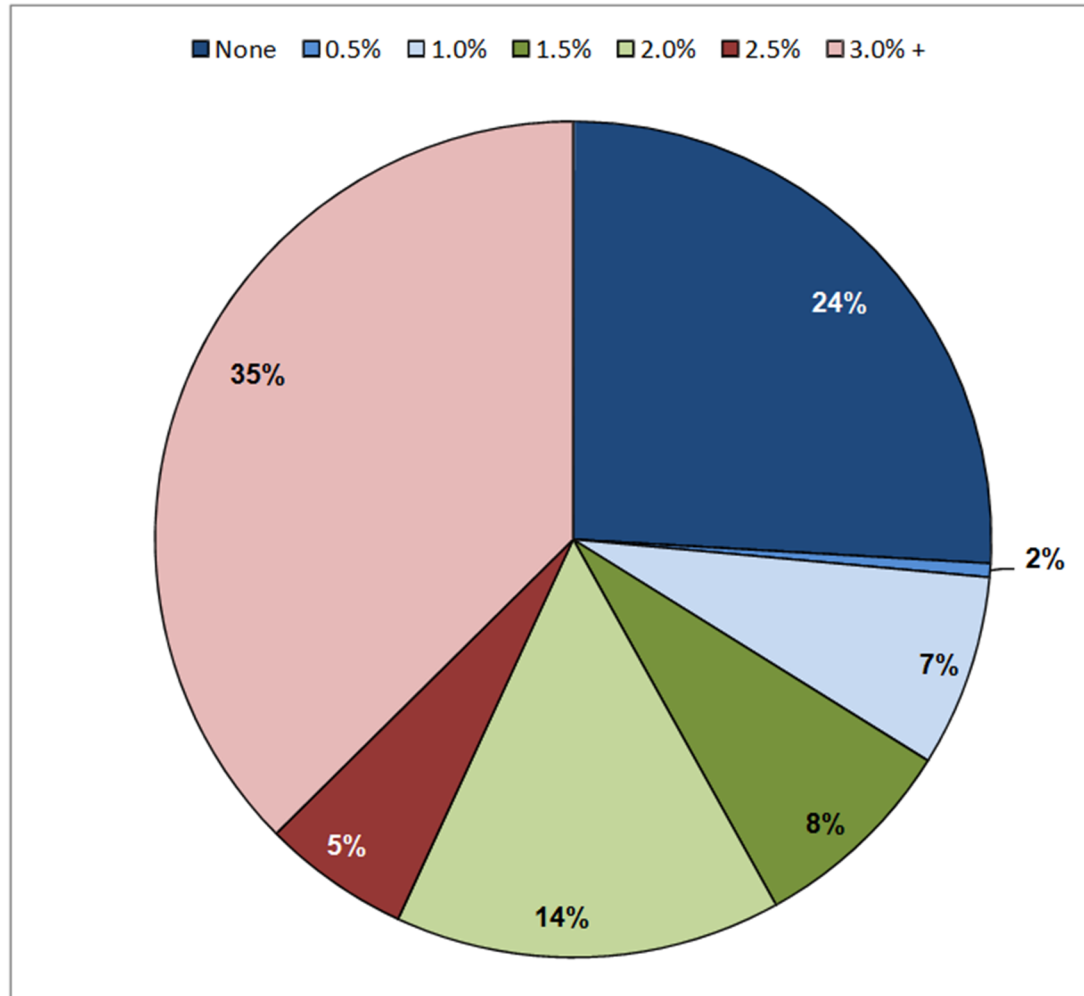
Investment Assumption



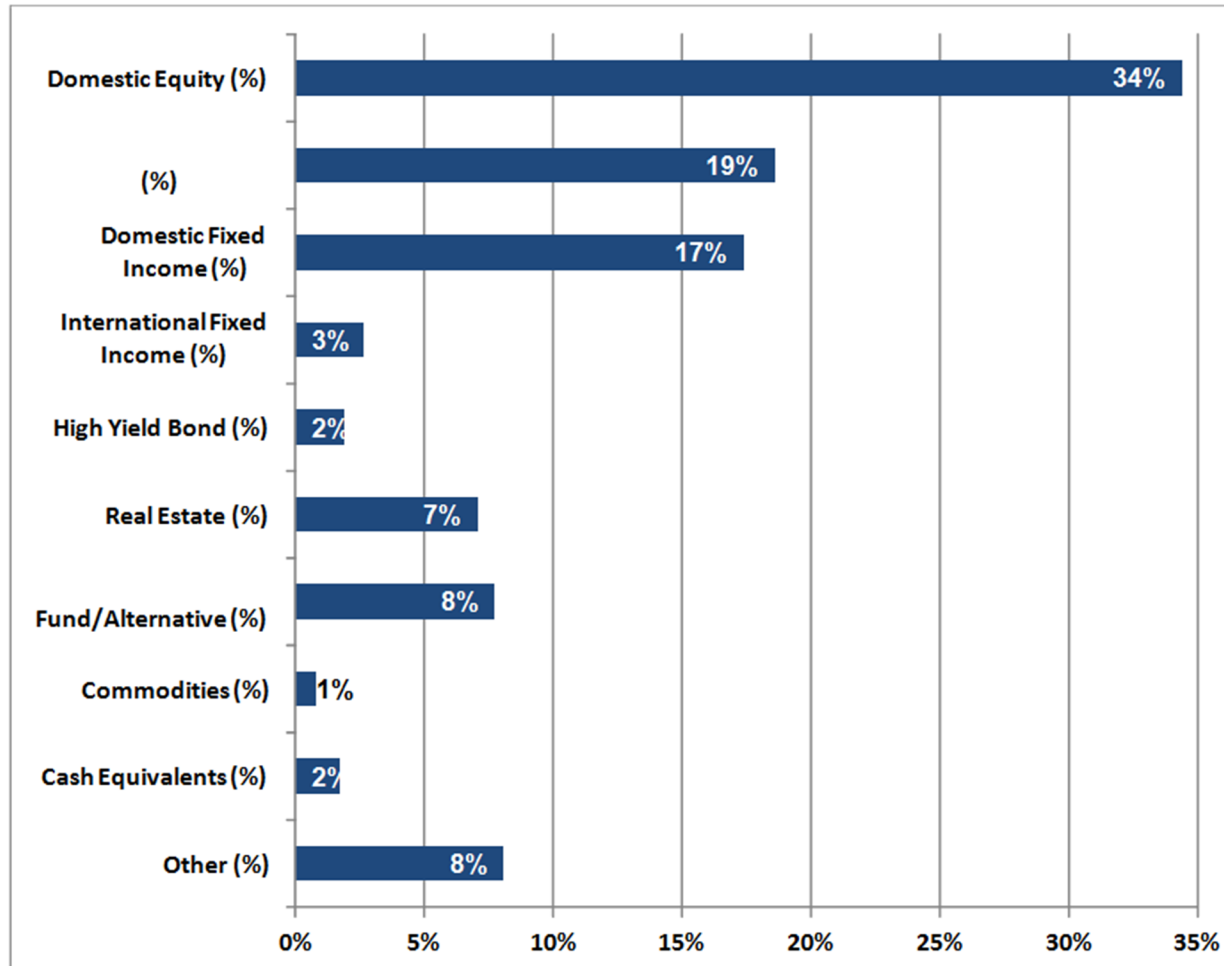
Inflation Assumption



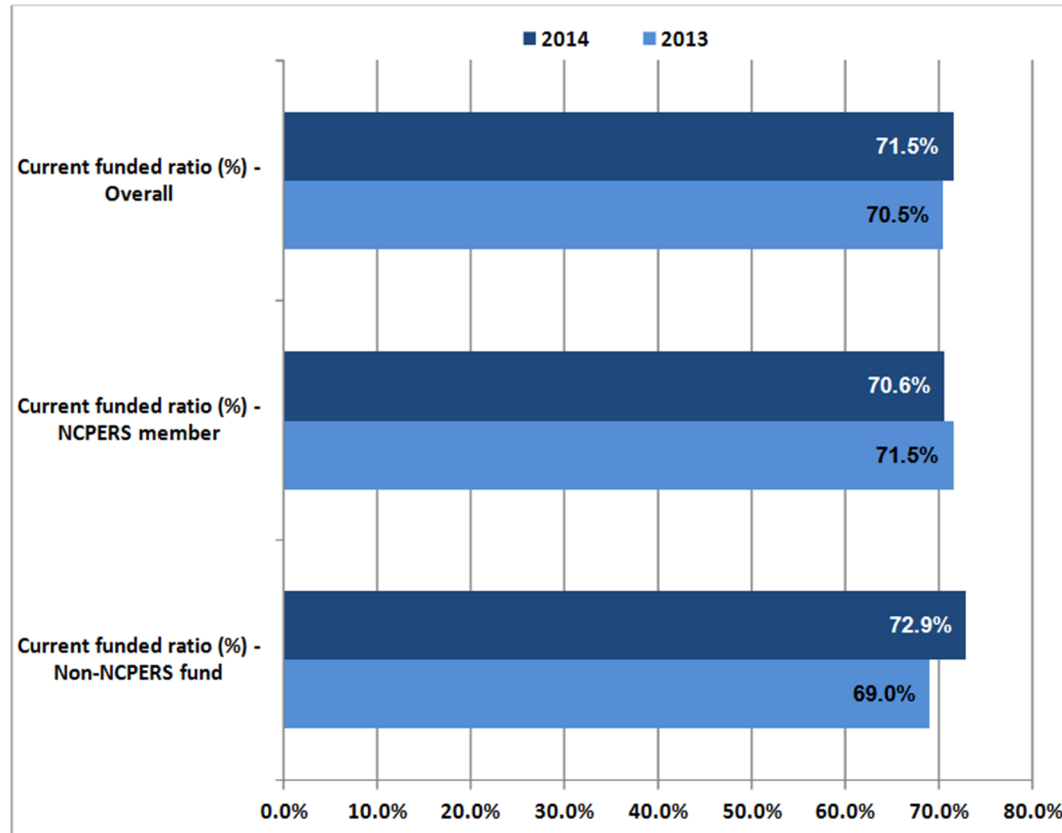
Overall Cost of Living Adjustment Offerings



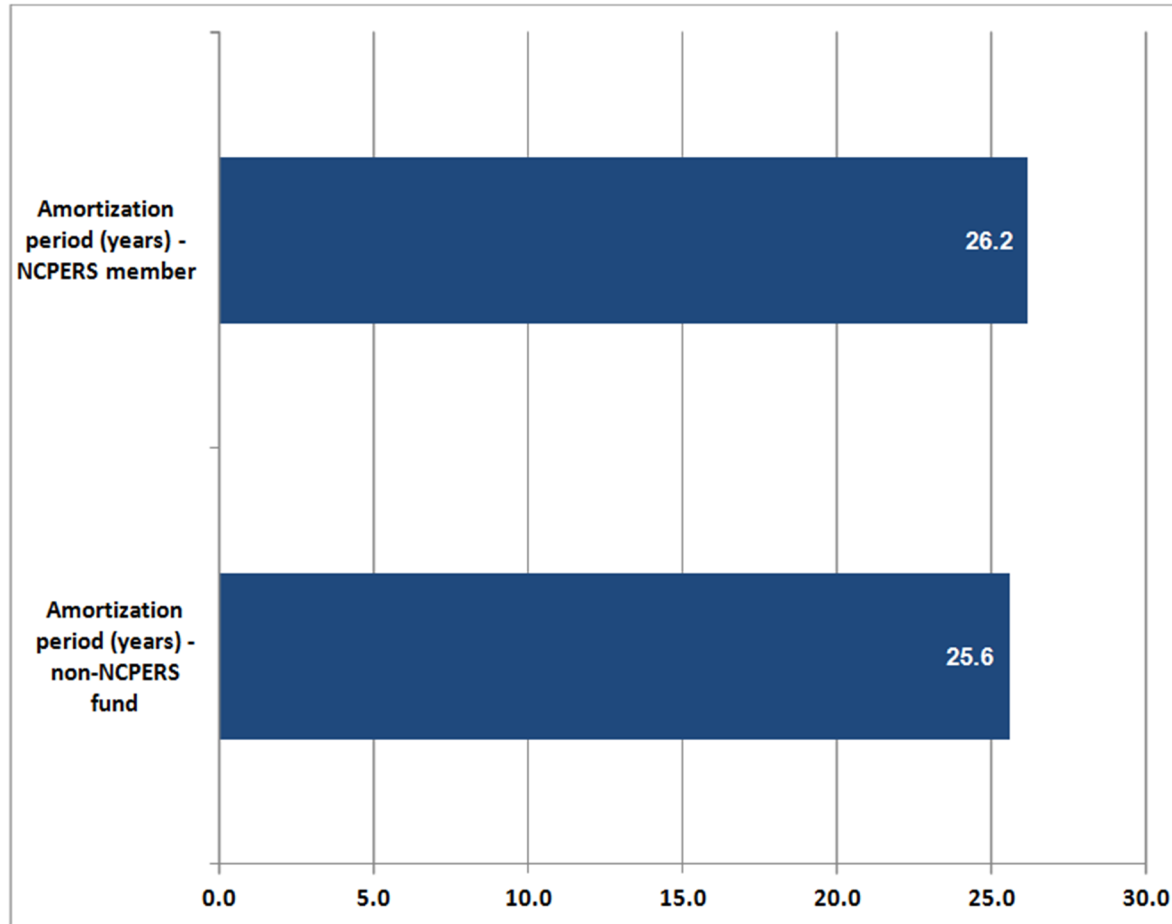
2014 Current Investment Asset Allocation



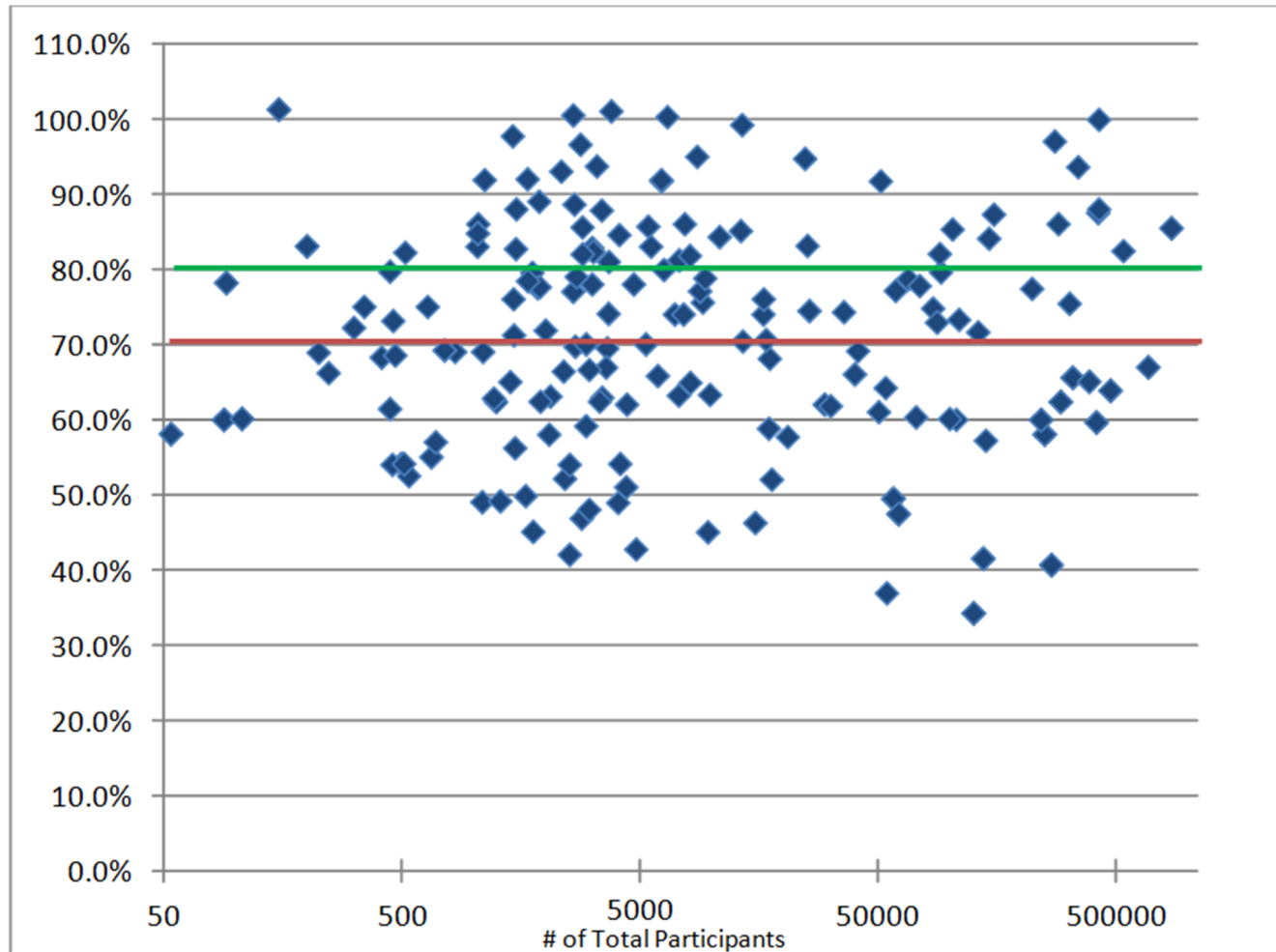
2014 Funded Level



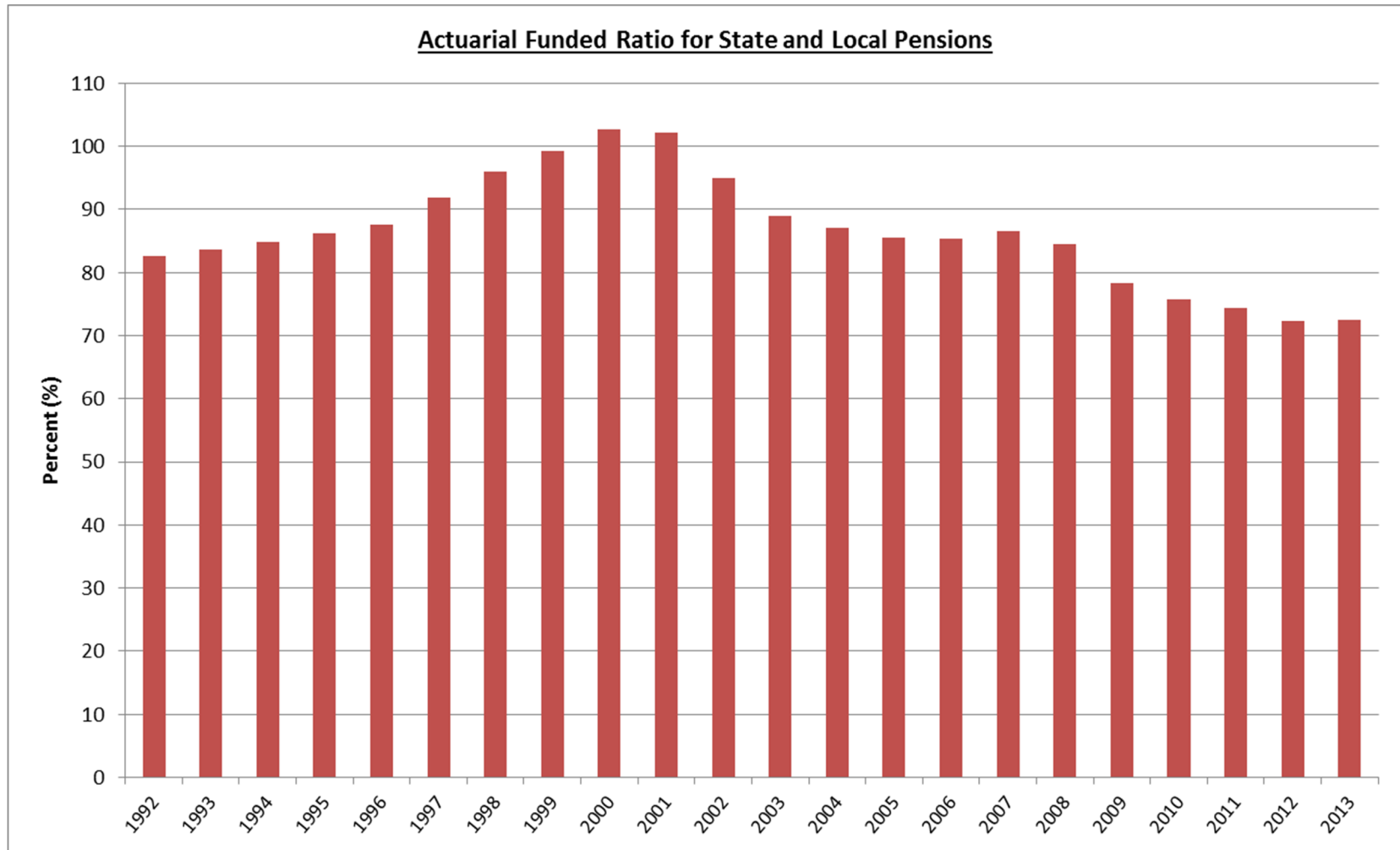
Amortization



2014 Funded Level Distribution



Funded Ratios



Note: The median discount rate for public pension plans was 8 percent from 1990-2011, and 7.75 percent in 2012.
Source: Public Plans Database and PENDAT