

OKLAHOMA STATE PENSION COMMISSION
Minutes
November 29, 2017

1. Call to Order

A meeting of the Oklahoma State Pension Commission convened on November 29, at 9:00 a.m. at the Oklahoma State Capitol, Oklahoma City, OK. Written notice was sent to Commission members and interested parties, posted 24 hours prior to the meeting and filed with the Secretary of State in compliance with the Open Meeting Law. Chairman Miller called the meeting to order.

Members Present: Chairman, Ken Miller – State Treasurer; Vice-Chairman, Lou Trost – Governor Appointee; Commissioner Gary Jones – State Auditor; Commissioner Northrup – Designee for Commissioner Doerflinger Director, Office of Management and Enterprise Services; Commissioner Lawrence – Governor Appointee; Commissioner Adam Winters – Senate Appointee.

Others: Ruth Ann Chicoine – Administrator; Sandra Betzer – Legal Counsel; Anthony Ferrara - NEPC; Joe Fox and Brad Tillburg – Public Employees Retirement System; Andrew Messer and Tim Allen – Oklahoma State Treasurer; Tom Spencer, Kirk Stebbins, and David King – Oklahoma Teachers Retirement System; Ginger Sigler – Oklahoma Law Enforcement Retirement System; Steve Snyder and Jim Keesee – Oklahoma Police Pension and Retirement System; Bob Jones and Duane Michael – Oklahoma Firefighters Pension and Retirement System; Sabra Tucker and Terry Ingmire – Oklahoma Retired Educators Association; Paul Pustmueller and Page Wolfe – BOK; Shawn Ashley of eCapitol; and Tyler Powell CSS Partners.

2. Approval of Minutes dated August 23, 2017

A motion was made by Vice-Chairman Trost to approve the minutes as presented, with a second by Commissioner Lawrence, all approving; minutes were adopted.

3. Actuarial Funded Ratio Results for June 30, 2017 – Vice Chairman Lou Trost

The meeting was turned over to Vice-Chairman Trost who brought up how well the retirement systems have been doing in their funded rations, to thank the systems' staffs, the legislators, the commission, Governor's staff members, and consultants on how well the systems are performing. Adjustment of the Firefighters valuation has caused their valuation to go down due to their actuarial numbers having a mistake in it, their gains were almost wiped out, but they do look to gaining valuation in the future. The legislators may need to look at giving COLA's to some of the systems that are doing well, the retirees have not had a raise in years and with the economy, they truly need one.

4. Suggested Agenda Items for Commission Meetings – Vice Chairman Lou Trost

Vice-Chairman Trost continued with the next agenda item. Vice-Chairman Trost would like to send a memo to the legislators to take the retirement systems off the table when it comes to balancing the budget, Commissioner Northrup believes it is a good reminder, Chairman Miller would like this brought up during the February meeting. Vice-Chairman Trost spoke of the new Senate designee,

but wants everyone to be aware that the House has yet to appoint anyone to their position, that the Speaker may need to be reminded they need to fill the position. Also, take note we are paying NEPC \$25,000 for each meeting, if there are any items felt could help with producing a better meeting, especially ways to inform the public concerning the pension plans, please give suggestions.

5. Investment Performance Analysis and Public Fund Update – Anthony Ferrara - NEPC

Chairman Miller turned the meeting over to Anthony Ferrara of NEPC to present the reports. The first report presented is the Investment Performance. Third quarter GDP rate is estimated at 3.0%; unemployment rates have decreased to 4.2% from 4.4%; the Case-Shiller home price index increased to 194.1 from 192.7 and is at levels higher than pre-financial crisis levels; the 12-month CPS was up to 2.2%; Fed funds rate was unchanged at a targeted range of 1.0% to 1.25%; S&P valuations increased slightly remaining above the 10-year long-term averages.

Private equity fundraising totaled \$150 billion and the private equity dry powder continued to increase to record levels. The Fixed-income nominal yield curve continued to flatten; Treasury inflation protected securities returned 0.7% during the quarter; emerging markets debt had modest gains of 2.2% with local currency debt gaining 3.6%.

Energy remains attractive despite volatile oil prices; infrastructure has select opportunities to access growth; metals and mining prices have bottomed out; timber has a low return potential; and agriculture had a slowdown in price appreciation which creates opportunity to invest. Real estate fundamentals remain strong; however, valuations are high on an absolute and relative basis, overall, the non-core real estate investment environment in the US is normalizing, but Europe is viewed as the best place for a marginal dollar of non-core real estate investment. We are in a prolonged economic expansion and the cumulative real GDP growth isn't what it has been in past US history, other cycles have been more productive in their recovery cycles.

There were strong results across the board with all the plans, doing better than most median plan in the US. The State plans were up 3.7% for the quarter, ranking 25 with a market value of \$31.7billion. For example, Firefighters has had very strong performance, strong money managers for the year to date. Their overall fixed income is in the 22 percentiles for one year.

There are five factors looked at to see how the Oklahoma plans did as compared to other plans in the nation; Asset Allocation Trends, Funding Levels, Actuarial Assumed Investment Rates of Return, Investment Manager Fees, and Active vs. Passive allocations. Over the one-year period, the Greenwich study shows how public funds have diversified into alternative asset classes. U.S. equities versus International equities, the allocation to international was higher than U.S. Equities. Overall equity allocations dropped about 3.0% from the 2016 averages to about 50%; the private equity/hedge fund/alternatives asset class also saw a drop.

The average investment assumption for responding funds is 7.5%, the same aggregated average as 2015. Of the 100 largest public funds in the country, one-third of the funds have dropped their investment assumption since last year's study. Studies on fees and expenses show that there has been a decrease from 60 bps from the 2015 study. 98% of active U.S. equity funds trailed the benchmark over the past 10 years. Overall, the Oklahoma funds have higher allocations, higher funding ratios, lower active management, fees being lowered as compared to other U.S public funds.

No further discussion by the Commission.

6. Approval of 2018 Meeting Dates

The last item on the agenda is the approval of the 2018 meeting dates, with no conflict with the dates, a motion was made to approve, all in agreement, 2018 meeting dates approved.

February 21
June 20
August 22
November 28

7. Adjournment

Chairman Miller made a motion to adjourn; all in favor, meeting adjourned. The next regular commission meeting will meet February 21, 2018.

Respectfully Submitted: _____
Ruth Ann Chicoine, Administrator