

OKLAHOMA STATE PENSION COMMISSION
Minutes
June 18, 2019

1. Call to Order

A meeting of the Oklahoma State Pension Commission convened on June 18 at 9:00 a.m. at the Oklahoma State Auditor's office, 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. The meeting was called to order once quorum was made.

Members Present: Commissioner Randy McDaniel – State Treasurer; Commissioner Cindy Byrd – State Auditor; Commissioner Doug Lawrence – Governor Appointee; and Commissioner Dow Hughes – Designee for Director, OMES.

Others: Ruth Ann Chicoine – Administrator; Don Stracke - NEPC; Thomas Schneider – Legal Counsel, Office of the Oklahoma Attorney General; Andrew Messer – Oklahoma State Treasurer; Tom Spencer, Joseph Cappello, and Kirk Stebbins – Oklahoma Teachers Retirement System; Chase Rankin, Timothy VanHorn and Dana Cramer – Oklahoma Firefighters Pension and Retirement System; Joe Fox and Brad Tillberg – Oklahoma Public Employees Retirement System; Ginger Sigler, Deric Berouser, and Sean Ruark – Oklahoma Police Pension and Retirement System; Ross Lawyer – Oklahoma Law Enforcement Retirement System; Melinda Streich – Oklahoma Department of Wildlife; Dough Anderson – AFCO; Kris Masterman – KGP; and Paul Pustmueller – Bank of Oklahoma.

2. Approval of Minutes dated February 26, 2019

A motion was made by Commissioner Lawrence to accept the minutes of the February 26 meeting with a second from Commissioner Byrd; all approved.

3. Legislative Update – Chairman McDaniel

Chairman McDaniel reported on bills that went through Legislation this year and those that didn't that will be presented next year. HB2304 and HB2484 were bills for COLA's for the systems, but neither bill was acted on because of actuarial impact. HB2269 went through and was signed by the Governor for an IRS technical correction.

4. Consultant Contract and Projected Expenditures for FY20 – Chairman McDaniel and Administrator – Ruthie Chicoine

The consultant contract is in the last year of the five-year RFP, the amount has not changed, the contract amount is for \$100,000.00 plus up to \$10,000.00 in expenses. The administrative expenses will be raised from \$22,000.00 to \$25,000.00 for extra work this fiscal year during the RFP process. No other questions were brought up at this time.

5. RFP Process- Chairman McDaniel and Administrator – Ruthie Chicoine

A detailed explanation was given of the process the administrator will need to do with the next RFP, the timeline, sending out and gathering information, and the need for interaction from legal counsel and the chairman's staff to complete the next five-year RFP. Agenda item was approved by the commission.

6. Investment Performance Analysis and NCPERS Public Retirement Systems Report – Don Stracke - NEPC

Real GDP increased at an annual rate of 3.2%; the unemployment rate decreased slightly to 3.8% from 3.9%; the Case-Shiller Home Price Index decreased to 204.7 from 205.1; rolling 12-month seasonally-adjusted CPI saw a down-tick to 1.87% from 1.94%; Fed Funds rate remained unchanged at a targeted range of 2.25% to 2.5%; S&P valuations decreased, but remained above the ten-year and long-term averages.

Increase in the quarter and one-year S&P 500 numbers at 9.5%, U.S. High Yield up 5.9%; a continued reversal of non-U.S. equities down 4.2%, 13% difference over the one-year period. The recovery has been in the longest since 1953, but most muted, the economy is not over-heating, a very unusual GDP growth.

The asset allocation summary of the plans does not show many changes. The plans are pursuing different strategies, more alternatives for Firefighters and Police, with a more traditional portfolio with OPERS and Teachers.

The total pensions' market value of \$31,528 billion was up 9.1% and ranking in the 29th percentile, higher than 70% of all funds in the U.S. Police trail the median, but five out of seven are ahead of the median, expectation is there will be a shortfall against the assumed rate of return. In 2017 and 2018, for example, Teachers have had strong performance with a strategy that is aggressive in the stock market.

Funding levels continue to rise despite more conservative actuarial assumptions. The average investment assumption is 7.34% to 7.49% in 2017. Funds continue to become more conservative in their assumptions. The trend of public funds remaining cost-effective continue, the average expense remained flat at 60 basis points, this means public funds with lower expenses provide a higher level of benefit to members for each dollar invested and produce a higher economic impact for the communities the members live in.

The Public Retirement Systems Study show that as changes emerge in the political, economic, and demographic landscape, funds are adapting their design and assumptions to respond and to maintain the sustainability of the plans. Funds offer various percentages of cost-of living adjustments, the average offered to members was 1.7%. Several areas have seen significant increases in implementation compared to 2017, conducting a death audit, enhancing member financial wellness/retirement readiness resources, and providing an online portal for members are up over a year ago.

7. Adjournment

Chairman McDaniel made a motion to adjourn; all in favor, meeting adjourned. The next regular commission meeting will meet August 13, 2019.

Respectfully Submitted: _____
Ruth Ann Chicoine, Administrator