

**OKLAHOMA STATE PENSION COMMISSION**  
**Minutes**  
**August 13, 2019**

**1. Call to Order**

A meeting of the Oklahoma State Pension Commission convened on August 13 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. 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 and Tony Ferrara - NEPC; Thomas Schneider – Legal Counsel, Office of the Oklahoma Attorney General; Andrew Messer – Oklahoma State Treasurer; Joseph Cappello, and Kirk Stebbins – Oklahoma Teachers Retirement System; Joe Fox and Brad Tillberg – Oklahoma Public Employees Retirement System; Ginger Sigler and Deric Berousek, – Oklahoma Police Pension and Retirement System; Duane Michael – Oklahoma Law Enforcement Retirement System; Tim Van Holzer – Oklahoma Firefighters Pension and Retirement System; Melinda Streich – Oklahoma Department of Wildlife; Evan Brown – Governor’s office; Shaun Ashley – eCapitol; and Paul Pustmueller – Bank of Oklahoma.

**2. Approval of Minutes dated June 18, 2019**

A motion was made by Commissioner Byrd to accept the minutes of the June 18 meeting with a second from Commissioner Lawrence; all approved.

**3. Investment Performance and Fee Analysis Reports – Don Stracke and Tony Ferrara - NEPC**

Real GDP increased at an annual rate of 2.1%; the unemployment rate decreased to 3.7% from 3.89%; the Case-Shiller Home Price Index increased to 207.9 from 204.5; rolling 12-month seasonally-adjusted CPI saw a down-tick to 1.78% from 1.87%; Fed Funds rate was lowered by .25% to a targeted range of 2.00%-2.25%; S&P valuations decreased, remaining above the ten-year and long-term averages.

The one-year market environment through June 30 indicates the S&P 500 up 10.4% and the Barclays Ag up 7.87%, two key parts of U.S. public pension plans did quite well. Non-U.S. Bonds did 5.4%, and high yield did 7.48%; ten-year S&P numbers has been up almost 15% per year, annualized, a significantly strong run; the economic recovery has been muted, but the stock market recovery has been one of the stronger.

Global equities increased during the quarter. Market expectations for several rate cuts created a weaker global growth outlook with uncertainties of US-China trade tension. The spread between the 10-year Treasury Note and 3-month Treasury Bill remained negative through the end of the quarter. The global growth outlook was revised downward, reflecting slower growth in major developed economies. The Fed signaled possible monetary easing to support economic growth, and Global government bond yields continued to decline.

The total fund performance has the market value for all plans at \$33.9 billion, a 3.6% increase and a rank of 20 percentile; the year to date increase is 13% with a rank in the 26<sup>th</sup> percentile. Teachers outperformed 98% of the funds, with OPERS doing quite well, Teachers has a higher impact on the State plans.

A question was asked about the Total Fund Risk/Return, if there were any funds that raised concerns based on the return diagram. All plans need to take some risk, you should earn more return, which has been the case with the Oklahoma plans, some are conservative, and some are taking risks. What has helped with funding is making any COLA increases fully funded before giving them.

Within the public markets, there are three types of fee structures: Flat fee, Tier/Asset-based fee, and Performance-based fee. Private Equity/Hedge fund fee, there is a management fee, a performance fee, and fees paid on committed, not invested capital. Hedge Fund Fee structures are very high as compared to traditional managers, they are made of two components: Management fee and Performance fee. There is pressure to lower fees. In Public Market, manager underperformance has led to increased use of passive management and public entities are facing greater political pressure on fees.

The State funds' 2018 total fees are up from 2017, from \$99 million to \$106 million. Total fees went up by \$7 million, but overall most plans stayed the in line with the previous year. Though some funds fees went up as compared to others, comparing them to other public funds, they are still average and not out of the ordinary, the plans are getting what they paid for.

No further discussion by the Commission.

4. **REP Process – Approval of RFP and Consultant List – Chairman McDaniel and Administrator Ruthie Chicoine**

The Commission was provided with a list of consultants to have the Request for Proposal sent out during the bid process time, no others were suggested to add to the seven; there was a motion to accept the consultant list by Commissioner Byrd and a second by Commissioner Hughes, all approved. No other changes were needed by legal counsel to the RFP, there was a motion to approve by Commissioner Byrd and a second by Commissioner Hughes, all approved.

5. **Adjournment**

Chairman McDaniel made a motion to adjourn; all in favor, meeting adjourned. The next regular commission meeting will meet November 12, 2019.

*Respectfully Submitted:* \_\_\_\_\_  
Ruth Ann Chicoine, Administrator