

OKLAHOMA STATE PENSION COMMISSION
Minutes
March 12, 2020

1. Call to Order

A meeting of the Oklahoma State Pension Commission convened on March 12, 2020 at 9:00 a.m. at the Oklahoma Teachers Retirement System, 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 via conference call, Lynda Dennen - NEPC; Thomas Schneider – Legal Counsel, Office of the Oklahoma Attorney General; Andrew Messer and Tim Allen – Oklahoma State Treasurer; Tom Spencer and Joseph Cappello – Oklahoma Teachers Retirement System; Joe Fox, Brad Tillberg and Deric Berousek – Oklahoma Public Employees Retirement System; Ginger Sigler and Sean Ruark – Oklahoma Police Pension and Retirement System; Ross Lavyer – Oklahoma Law Enforcement Retirement System; Chase Rankin and Tim Van Horn – Oklahoma Firefighters Pension and Retirement System; and Paul Pustmueller, Michael Sweeney, Lauara Graurela, Robert Kindt, and Evan Walter – Bank of Oklahoma.

2. Approval of Minutes dated November 12, 2019

A motion was made by Commissioner Hughes to accept the minutes of the November 12 meeting with a second from Commissioner Byrd; all approved.

3. Investment Performance and Actuarial Analysis – Don Stracke - NEPC

The meeting was turned over to Lynda Dennen of NEPC via phone from Boston for the Actuarial Analysis and Don Stracke to report on the Investment Performance.

The Oklahoma plans' aggregate funded status has seen continued improvement since 2010 and surpassed the funded status of the average public plan in 2015. The aggregate funded status of the plans remained relatively flat over fiscal 2019, up from 81.2% to 81.3%; unfunded liability for the plans is \$7.8 billion as of June 30, 2019, up from \$7.6 billion from the year prior; total plan liabilities grew 3.6% in fiscal 2019, while actuarial value of assets increased by 3.7%. Two of the plans, Police and Judges are 100% funded, but all plans are above 70% now.

All plans have shown improved funded status over the last 15 years, Teachers has improved from 51% to 72% over this time. Equity markets continued resilience contributed to a 6.1% weighted average return for the 2019 fiscal year, however, the aggregate return on a market value basis was 5.4% due to immediate recognition of prior years' gains and losses.

For fiscal year ending 2020, the recommended contribution is 9.0% of payroll, or \$621 million, mostly from the Teachers plan. For fiscal year 2019, the recommended contribution to the Oklahoma plans was \$605 million, however the actual contribution was \$801 million. The contribution amounts for each plan are not tied to the calculation of the actuarially determined contribution amounts.

Under GASB67, the overall funded status of the plans was 80.7% vs. 81.3% for funding purposes; for fiscal year ending 2019, the actuarially determined contribution is 18.3% of payroll, or \$1,103 million. In fiscal year 2019, the actual contributions from employers and the state was 18.5% of payroll, or \$1,346 million.

In summary, the State's plans are 81.3% funded as of June 30, 2019; actual State contributions exceeded recommended amounts by \$263 million in fiscal 2019; the plans' assumptions are within a reasonable range; GASB67 reporting found the Oklahoma plans at 80.7% funded, using market value of assets.

For the quarter, the real GDP increased at an annual rate of 2.1%; unemployment remained flat at 3.5%; the Case-Shiller Home Price Index increased to 212.4 from 212.2, higher than pre-financial crisis levels of 150.9; the 12-month CPS went up from 2.29% from 1.74%; Fed Funds rate was decreased by 0.25%; the 10 year treasury yield was up to 1.9% from 1.7%; the Fed balance sheet increased in size; and S&P valuations increased, remaining above the 10-year and long-term averages.

The returns through December 31 were at 31% with the 10-year return at 13.4%; bonds were up 8.7% with expected yield at 2.4. This has been the longest economic recovery, but the less significant, coming out of the virus issue should cause a rapid recovery. The Oklahoma funds had more equity commitment than the general fund and may suffer more than other public plans as the market has gone down. The plans selection of managers has added value by outperforming in the stock market.

No further discussion by the Commission.

4. **REP Process – Consultant Selection – Chairman McDaniel**

Chairman McDaniel discussed the RFP process, meeting only with Commissioner Lawrence to avoid having too many members present and being out of compliance for a working group discussion. Commissioner Lawrence mentioned ruling out Callahan because cost was much higher than the other two firms. Between RVK and NEPC, the proposals were very similar, in price, reports presented, and service provided.

Discussion between the commissioners brought up that RVK was the original consultant to the Commission and that NEPC has held the contract for approximately 20 years. It was felt that it would be good to have a fresh take on the plans from another company. Commissioner Byrd works with RVK through the CLO and thinks they would do a good job for the Commission. Even though there has not been a problem with NEPC, it is recommended to make a change, again for a fresh overview of the plans. Legal Counsel, Thomas Schneider suggested a motion to accept the proposal of RVK, Inc. as of July 1, 2020 and to allow the Chairman to effectuate or execute any necessary contract or agreement to finalize the selection. A motion to accept by Commissioner Lawrence with a second by Commissioner Hughes, all approved.

5. **Adjournment**

Vice-chair Byrd made a motion to adjourn with a second from Commissioner Hughes; all in favor, meeting adjourned. The next regular commission meeting will meet June 16, 2020.

Respectfully Submitted: _____
Ruth Ann Chicoine, Administrator