

OKLAHOMA STATE PENSION COMMISSION
Minutes
November 12, 2020

1. Call to Order

A meeting of the Oklahoma State Pension Commission convened on November 12, 2020 at 9:00 a.m. through virtual meeting by Zoom. 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 Avery Frix – Oklahoma House of Representatives; Commissioner Adam Winters – Oklahoma State Senate; Commissioners Gary McAnally and James Ward – Governor Appointees; and Commissioner Dow Hughes – Designee for Director, OMES.

Others: Ruth Ann Chicoine – Administrator; Mark Higgins and Lauren DiCola - RVK; Andrew Messer and Tim Allen – Oklahoma State Treasurer's Office; Joe Fox and Brad Tillberg – Oklahoma Public Employees Retirement System; Ginger Sigler and Sean Ruark – Oklahoma Police Pension and Retirement System; Chase Rankin and Tim Van Horn – Oklahoma Firefighters Pension and Retirement System; Duane Michael – Oklahoma Law Enforcement Retirement System; Shawn Ashley – e-Captiol News; Paul Pustmueller, Michael Sweeney and Evan Walter – Bank of Oklahoma; Don Cramer, Don Armes, and Kris Masterman.

2. Approval of Minutes dated August 18, 2020

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

3. Investment Performance and Actuarial Analysis – Mark Higgins and Lauren DiCola – RVK

Chairman McDaniel turned the meeting over to Mark Higgins. Markets produced strong returns during the first two months of the quarter, but risk assets began to retreat in September due to rising uncertainty related to the COVID-19 pandemic, U.S. elections, and the magnitude and timing of a potential second round of fiscal stimulus. Market participants generally interpreted this as a sign that Fed policy may likely remain accommodative for longer than previously anticipated. Inflation forecasts responded with a modest increase, as 5-year breakeven inflation rates – which serve as a proxy for 5-year inflation expectations – increased from 1.2% to 1.5%. On the unemployment front, which constitutes the second pillar of the Fed's dual mandate, conditions continued to improve, and the unemployment rate declined to 7.9% in September. Although well below the April 2020 peak of 14.7%, unemployment remains well above the level estimated to constitute full employment.

From an economic growth perspective, as of October 1st, the Atlanta Fed's GDP Now annualized estimate for Q3 US growth stood at 34.6% – a stark contrast to the final reading of the Q2 GDP decline of -31.4%. From peak-to-trough (i.e. top-to-bottom), the non-annualized decline in real US GDP was -10.1% compared to a -4.0% decline during the Global Financial Crisis. The S&P 500 returned 8.9% for the quarter, bringing its YTD return to 5.6%. Foreign equity markets produced similarly positive returns for Q3, with the MSCI EAFE index returning 4.8% and the MSCI Emerging Markets Index returning 9.6%. In terms of the outlook, the immediate prospects for the global economy and securities markets remains cloudy due to uncertainty related to the COVID-19 pandemic, potential fiscal stimulus, and the outcome of elections in the United States.

For the fiscal year ending June 30, 2020, the funded status of the plans declined by 5.5% based on the actuarial value of assets and 8.2% based on the market value of asset. Key drivers of the funded status decline are as follows: Liability Increase – The decline in funded status was driven largely by an increase in plan liabilities, which rose by approximately \$4 Billion over the past year. Actuarial Value of Asset Increase - A modest increase of approximately \$600 million in the actuarial value of assets partially offset the liability increase

Total market value of the State's retirement funds is over \$35 billion at the end of the quarter, Teachers is \$17.6 billion of that, OPERS \$10.5 billion and Firefighters at \$3 billion. Four of the seven plans outperformed on a quarterly basis, the other plans were close.

RVK reviewed the Fiscal Year 2020 actuarial reports for each underlying plan in the Oklahoma State Pension Commission. This presentation summarizes several key plan metrics from FY 2020 and trends over the previous 15 years. Metrics include funded status levels, as well as changes in assets, liabilities, and contributions relative to prior years. RVK also incorporated data collected by RVK's semi-annual Public Fund Survey to help the Commission gauge how the Plan compares to other large public pension plans throughout the country.

Funded Status Highlights – For the fiscal year ending June 30, 2020, the funded status of the plans declined by 5.5% based on the actuarial value of assets and 8.2% based on the market value of assets. The decline in funded status was driven largely by an increase in plan liabilities, which rose by approximately \$4 billion over the past year. A modest increase of approximately \$600 million the actuarial value of assets partially offset the liability increase. Despite the decline, the combined funded status of the Oklahoma Pension plans is roughly on par with the median funded status reported for a broad sample of large public plans. The aggregate funded status of the Oklahoma plans was 76.7% versus 77.1% for the public fund average.

Contribution Highlights – Total contributions for the fiscal year were approximately \$1.8 billion, which is a 7.3% increase relative to the prior fiscal year. Contributions from employees and the state were the primary drivers of contribution increases. For the past fiscal year, the actual contribution exceeded the actuarially required contribution by approximately 138.5%, since 2011, the plans have continued to contribute at a level that is higher than the actuarial requirement.

No other discussion by the Commission.

4. **Approval of 2020 Meeting Dates – Chairman McDaniel**

A motion was made by Commissioner Hughes and a second by Commissioner Winters to accept the 2021 meeting dates of February 23, June 15, August 17, and November 16, 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 February 23, 2021.

Respectfully Submitted: _____
Ruth Ann Chicoine, Administrator