

**OKLAHOMA STATE PENSION COMMISSION**  
**Minutes**  
**November 16, 2021**

**1. Call to Order**

A meeting of the Oklahoma State Pension Commission convened on November 16, 2021, at 9:00 a.m. at the Oklahoma State Capitol. 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 DeWayne McAnally and James Ward – Governor Appointees; and Commissioner Steven Harpe – Director, OMES.

**Others:** Ruth Ann Chicoine – Administrator; Mark Higgins - RVK; Thomas Schneider – Legal Counsel office of the Attorney General; Andrew Messer – Oklahoma State Treasurer’s Office; John Riesenbers – Office of the State Governor; Joe Fox and Brad Tillberg – Oklahoma Public Employees Retirement System; Chase Rankin, Tim Van Horn, and Dana Cramer – Oklahoma Firefighters Pension and Retirement System; Sarah Green, Kirk Stebbins, and Joseph Cappello – Oklahoma Teachers Retirement System; Ginger Sigler and Sean Roark – Oklahoma Police Pension and Retirement System; Sabra Tucker – OREA; Paul Pustmueller and Evan Walter – Bank of Oklahoma; Kris Mastermann – KOP; and Shawn Ashley - e-Capitol News.

**2. Approval of Minutes dated August 16, 2021**

A motion was made by Commissioner Ward to accept the minutes of the June 15 meeting with a second from Commissioner Harpe: all approved.

**3. Investment Performance and Actuarial Analysis - Mark Higgins – RVK, Inc.**

Chairman McDaniel turned the meeting over to Mark Higgins of RVK.

Capital markets were relatively flat in the third quarter of 2021, public equity markets modestly negative, and fixed income largely flat. Growth-oriented securities continued to outperform value-oriented securities, private assets tended to fare better than publicly traded securities, with private equity posting returns of 6.4% and 12.95%.

Inflation remains at the top of mind for investors, supply chain disruptions and labor shortages place upward pressure on prices of commodities, durable goods, and wages. CPI increased at a rate above 5% for the fifth consecutive month, however in the long-term, inflation is a function of excessive expansion of the money supply, the issue is how the Federal Reserve will react to shifts in inflation expectations rather than wagering on how long transitory supply shocks will last. The shift in inflation expectations was a month the most important factors driving higher rates of inflation during the 1970s, the Federal Reserve leadership lacked the fortitude and political cover to raise interest rates to a level needed to lower inflation expectations. Inflation expectations persisted for more than a decade.

Shifts in inflation expectations tend to take longer to take hold. Guggenheim Investments presented data with respect to inflation expectations, when consumers fear higher inflation is here to stay, they tend to buy durable goods hoping to avoid the cost of further price increases and when they anticipate transitory inflation, they tend to delay purchases in anticipation of more attractive prices in the future.

November 2021 the Federal Reserve announced they will begin tapering asset purchases, these purchases were used to combat deflationary forces sparked by the pandemic. Inflation remains a topic for debate with current opinion is that they are likely transitory, it will be better to watch the Federal Reserve’s response to incoming inflation data and do not advise clients to make material shifts in long-term asset allocation to address inflation-related concerns.

The 3rd quarter Oklahoma State Pension Funds produced mixed returns ranging from -0.9% to 1.9% net of fees. Public Equities struggled while private assets fared well. Over the year, absolute returns across the plans remain strong, ranging from 16.3% to 26.5%. Performance was similarly strong, as five out of six plans outperformed their respective policy benchmarks net of fees.

The State Pension plans have a high allocation to public and private equity of which they benefitted from the decisions over the last year. The Plans are invested more heavily in US equities, which have outperformed international equities for more than 10 years. Institutional investors are bombarded with marketing pitches on new investment strategies, many add higher costs without providing benefits, the Oklahoma Plans have resisted temptation to invest in these products. The Oklahoma State Pension Plans have employed active management strategies in a manner that extracted benefits that have exceeded the associated costs. Overall performance of the Plans is strong because of thoughtful, high-level strategic decisions and skillful execution.

The 5-year and 10-year absolute and risk-adjusted returns for the Oklahoma Plans continue to compare favorably relative to indices and peers. Four out of seven plans performed at or above median, performance is more favorable on an asset-weighted basis with 89.3% outperforming the median plan over the 10-year period.

For the fiscal year ending June 30, 2021, the funded status of the plans increased by 4.3% based on the actuarial value of assets and 18.3% based on the market value of assets. An increase of approximately \$2.7billion in the actuarial value of assets was the primary driver of improved funded status of the plans. A moderate increase in liabilities over the last year partially offset the increase in the actuarial value of assets.

After accounting for the increase in the actuarial value of assets, the combined funded status of the Oklahoma funds is roughly 9.0% higher than the average funded status reported for a broad sample of public plans. Over the past 10 years, the pension plan contributions exceed the actuarially required contributions, this benefitted the funded status in two ways; the excess portion of the contribution directly reduced the unfunded liability, and the strong investment returns over the past 10-years compounded the impact of these excess contributions.

Total contributions for the fiscal year were approximately \$1.8billion, which was a 3.0% decrease relative to the prior fiscal year. For the past fiscal year, the actual contribution exceeded the actuarially required contribution. Current challenges for the Oklahoma Pension Plans will be market reflexivity, short vs. long term valuation and liability management.

There will be some downturns with the pandemic and inflation, the picture of the Plans will change. Interest rates will go up, but they will go down, markets are not anticipating long-term effects.

No other discussion by the Commission.

4. **Approval of 2022 Meeting Dates**

Meeting dates for calendar year 2021 of February 22, June 14, August 16, and November 15 were approved and will be moved to a starting time of 10:00 a.m. with the approval of all commissioners.

5. **Adjournment**

A motion to adjourn was made with all in favor, meeting adjourned. The next regular commission meeting will meet November February 22, 2022.

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