

OKLAHOMA STATE PENSION COMMISSION
Minutes
February 21, 2023

1. Call to Order

A meeting of the Oklahoma State Pension Commission convened on February 21, 2023 at 10:00 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 Todd Russ – State Treasurer; Commissioner Cindy Byrd – State Auditor; Commissioner John Suter – Director, OMES; and Commissioners James Ward and DeWayne McAnally – Governor Appointees.

Others: Ruth Ann Chicoine – Administrator; Jason Samansky and Laura Epperson - RVK; Joe Fox and Brad Tillberg – Oklahoma Public Employees Retirement System; Kirk Stebbins, and Joseph Cappello – Oklahoma Teachers Retirement System; Ginger Sigler – Oklahoma Police Pension and Retirement System; Duane Michael – Oklahoma Law Enforcement Retirement System; Dana Cramer – Oklahoma Firefighters Pension and Retirement System; and Paul Pustmueller, Evan Walter, and Sean Chitwood – Bank of Oklahoma - Quorum call.

2. Nomination and Election of Chair and Vice-chair

The November election caused a turnover of the Chair and Vice-chair, an election was held with a nomination by Auditor Byrd for Treasurer Russ as Chair, all in favor with Treasurer Russ abstaining. A nomination was made by Treasurer Russ for Auditor Byrd for Vice-chair, all in favor with Auditor Byrd abstaining. Nominations passed.

3. Approval of Minutes dated November 15

A motion was made by Commissioner Byrd to accept the minutes of the November 15, 2022 meeting with a second from Commissioner Ward: all approved, November minutes passed.

4. Investment Performance and Actuarial Analysis – Jason Samansky and Laura Epperson - RVK, Inc.

Chairman Russ turned the meeting over to Jason Samansky of RVK.

Equity and fixed income delivered improved results while continuing to experience elevated volatility. Positive returns for the quarter came at the end of a year that yielded significantly negative returns for many investors. Capital markets during the final quarter of 2022 were driven by similar themes as prior quarters, with investors remaining focused on central bank activity, inflation data, and geopolitical turmoil. Growth estimates for the US remained positive at the end of 2022.

Unemployment was at 3.5% at quarter-end, though there were some signs of slowing wage growth. Inflation remains a concern, though recent data indicated that it is showing some signs of abating. In December, the US Consumer Price Index calculated year-over-year overall inflation of 6.5%, the lowest reading since October 2021. In December, the FOMC raised its key policy rate by 50 points,

following a series of four 75 basis point increases. Current market pricing indicates the federal funds rate is expected to settle in the 4.75% to 5.25% range in 2023.

International events continued to test economic and political relationships across countries and regions. During the quarter, the Bank of Japan made a move to increase the upper target of its 10-year government bond yield, their policy interest rate level still trails other major central banks.

Economic news from emerging markets was primarily focused on China, where signs of a softening stance toward pandemic restrictions and past interest rate cuts were viewed as reasons for optimism regarding the country's outlook. Concerns over lockdown related social unrest and the consolidation of power around President Xi provided cautionary notes for investors.

During the quarter, the Oklahoma State pension funds produced positive returns ranging between 2.9% to 7.8% net of fees. In terms of attribution, the fundamental drivers have not changed over the longer periods. High level strategic decisions explain most of the strong performance in high allocation to growth-oriented assets, a bias toward US Equities, avoidance of asset classes, and selective use of active management.

Asset class returns were positive after spending most of the year in negative territory. Relative to benchmarks, returns varied, with three out of six plans outperforming their benchmarks. International equity returns were positive on an absolute basis with underlying plans keeping pace or underperforming their asset class benchmark during the quarter. Fixed income returns were positive in the fourth quarter with six of seven plans outperforming their asset class benchmarks.

Real estate returns were mostly positive for the quarter, the income return continues to trend at the lower end of historical levels. Hedge fund returns were positive, ranging from a low of 0.1% to a high of 4.6%. Private equity produced mixed returns over the quarter, but the level of performance varied across the different plans.

The five and ten years absolute and risk adjusted returns for the Oklahoma Pension Plans continue to compare favorable, with three of the seven plans at or above median. Overall, the seven plans all exhibit diversified, institutional quality portfolios.

5. **Adjournment**

A motion to adjourn was made with all in favor, meeting adjourned.

Respectfully Submitted: _____
Ruth Ann Chicoine, Administrator