

OKLAHOMA STATE PENSION COMMISSION
REQUEST FOR PROPOSAL
FOR PENSION FUND MANAGEMENT CONSULTANT

I. INTRODUCTION

The Oklahoma State Pension Commission (hereinafter, “Commission”) was created by Title 74, Section 941 of the Oklahoma Statutes (see attachment). The Commission is an oversight board for the State of Oklahoma Pension and Retirement Systems (hereinafter, “retirement systems”), and regularly meets on a quarterly basis. The website address to view Commission information regarding the Investment Related Fees, Quarterly Performance Report, Actuarial Report, and the Public Fund Universe Analysis, is www.sai.ok.gov/pension-commission/. The retirement systems include, and their portfolios as of June 30, 2024, are as follows (in millions):

Teachers' Retirement System of Oklahoma	\$ 22,795,161,150
Oklahoma Public Employees Retirement System	\$ 12,170,935,316
Oklahoma Firefighters Pension and Retirement System	\$ 3,712,963,768
Oklahoma Police Pension and Retirement System	\$ 3,174,260,761
Oklahoma Law Enforcement Retirement System	\$ 1,143,923,260
Uniform Retirement System for Justices and Judges	\$ 413,388,639
Wildlife Conservation Commission Retirement Plan	<u>\$ 139,734,187</u>
Total	\$ 43,550,367,082

Each of the above referenced systems is responsible to provide to the Commission and/or pension fund management consultant (hereinafter, “consultant”) such information as is necessary for the scope of services outlined below.

The Commission consists of seven (7) members as follows:

1. The State Auditor and Inspector or that person's designee;
2. The Director of the Office of Management and Enterprise Services or that person's designee;
3. The State Treasurer or that person's designee;
4. One member who shall be appointed by the President Pro Tempore of the Senate who shall serve at the pleasure of the appointing authority and who shall have demonstrated experience in the investment of private or public funds;
5. One member who shall be appointed by the Speaker of the House of Representatives who shall serve at the pleasure of the appointing authority and who shall have demonstrated experience in the investment of private or public funds;
6. One person to be appointed by the Governor who shall have at least ten (10) years of demonstrated experience in the financial services industry; and
7. One person to be appointed by the Governor who shall have at least ten (10) years of experience in retirement planning, including demonstrated experience with retirement plan designs.

The Commission members as of July 1, 2024, are:

1. The Honorable Todd Russ, State Treasurer, Chairman.
2. The Honorable Cindy Byrd, State Auditor and Inspector, Vice-Chair.
3. John Laws, designee for Director, Office of Management and Enterprise Services.
4. Adam Winters, Senate President Pro Tempore appointee.
5. Speaker of the House of Representatives appointee, vacant.
6. DeWayne McAnally, Governor- Retirement Planning appointee.
7. James Ward, Governor- Financial Services Industry appointee.

II. SCOPE OF SERVICE

The Commission is seeking proposals from interested parties to provide services as outlined below. These services shall include, but are not limited to:

1. Establish a format for use by each of the state retirement systems in submitting the information requested by the Commission for the quarterly report. Submit quarterly reports within two (2) months of the close of each quarter on each of the state retirement systems; earlier submissions are desirable. Such quarterly reports shall analyze investment performance of the above referenced retirement systems. Quarterly reports must contain:
 - a. Combined and individual rates of return of the investment managers by category of investment, over periods of time;
 - b. The data obtained pursuant to subparagraph a of this paragraph compared with similar data for a larger population of investment managers by asset class as well as by style of management; and

- c. Any other information that the Commission requires.
2. Submit an annual comparative performance report, or reports, in simple easily understood language containing:
- a. On an individual and consolidated basis, an analysis of the written investment plans developed by each retirement system as required by law;
 - b. A qualitative and quantitative analysis of the performance of the custodian employed by each governing body of the retirement systems specified in the first paragraph of *Section I. Introduction*, above, and the performance of the Office of the State Treasurer with regard to retirement system monies;
 - c. The result of the analysis prepared pursuant to subparagraphs *a* and *b* of this paragraph compared with similar data for a larger population;
 - d. An analysis of investment manager's proxy voting record and engagement priorities in accordance with the retirement system's relevant fiduciary duty laws, mandates, and priorities of the plan;
 - e. Recommendations of administrative and legislative changes which are necessary to improve the performance of the retirement systems in accordance with current standards for large public fund portfolio management;
 - f. A summary of the results in report format of the most recent actuarial valuation to include total assets, total liabilities, unfunded liability over funded status and contributions, and any other information deemed relevant by the Commission. The results shall be determined using the standards prescribed by the Government Accounting Standards Board or any successor entity; and
 - g. A report on fees paid by each of the above referenced retirement systems, including, but not limited to, custodian fees, investment manager fees, and consultant fees.
3. For purposes of this paragraph, the consultant hired by the Commission is hereby considered a fiduciary of the state retirement systems.
- a. A fiduciary with respect to the state retirement systems shall not cause or advise a retirement system to engage in a transaction if the fiduciary knows or should know that such transaction constitutes a direct or indirect:
 - 1) Sale or exchange, or leasing of any property from a retirement system to a party in interest for less than adequate consideration or from a party in interest to a retirement system for more than adequate consideration;
 - 2) Lending of money or other extension of credit from a retirement system to a party in interest without the receipt of adequate security and a reasonable rate of interest, or from a party in interest to a retirement system with provision of excessive security or an unreasonably high rate of interest;
 - 3) Furnishing of goods, services, or facilities from a retirement system to a party in interest for less than adequate consideration, or from a party in interest to a retirement system for more than adequate consideration;
 - 4) Transfer to, or use by or for the benefit of, a party in interest of any assets of a retirement system for less than adequate consideration; or
 - 5) Violation of the state's fiduciary duty laws and other laws related to the retirement system's sole investment obligation to its beneficiaries.
 - b. A fiduciary with respect to the state retirement systems shall not:
 - 1) Deal with the assets of a retirement system in the fiduciary's own interest or for the fiduciary's own account;
 - 2) In the fiduciary's individual or any other capacity act in any transaction involving a retirement system on behalf of a party whose interests are adverse to the interests of a retirement system or the interests of its participants or beneficiaries;
 - 3) Receive any consideration for the fiduciary's own personal account from any party dealing with a retirement system in connection with a transaction involving the assets of a retirement system;

- 4) Utilize non-pecuniary considerations for investment selection or investment manager selection, in contravention of relevant Oklahoma law;
 - 5) Have any third-party marketing agreements; if so explain the relationship and how fees are paid, percentage of total commissions in each of the last two (2) years that went to pay fees for third-party marketers and range of commissions paid (per share) to execute transactions with third-party marketers; or
 - 6) Knowingly give or offer a “kickback” as defined in Title 74, Section 3402 of the Oklahoma Statutes, either directly or indirectly, to any member, employee, representative, or officer of any Oklahoma retirement system, or to any member, employee, representative, or officer of the Commission.
4. Keep abreast of important general economic developments and explain their impact on the financial success of each retirement system.
 5. Perform independent calculations of the rates of return directly from each system’s custodian banks-tapes.
 6. Assist in investment manager selection decisions, including by performing an analysis of proxy voting record and engagement priorities of current and potential asset managers in accordance with the state’s fiduciary duty laws to solely benefit the beneficiaries of the pension plans. Asset managers will be asked to justify voting records and engagement priorities according to the financial interest of the pension plan.

The Commission agrees that the effective date of the contract shall be for one year beginning on July 1, 2025, through June 30, 2026 (the maximum allowable under Oklahoma Statutes) with an annual option to extend the contract at the discretion of the Commission, for four (4) additional one-year periods, for a total of five (5) years.

III. PREFERRED BID CRITERIA

Qualifications Statements shall include as a minimum:

1. Description of the specialized experience and technical competence of the candidate or firm and its personnel in connection with the type of service required. These descriptions shall include the resumes of personnel who typically will become involved in the performance of the service;
2. The candidate’s familiarity with types of problems applicable to the service;
3. Past record of performance on contracts involving service of this type with other government agencies or public bodies and with private industry, complete with reference(s);
4. It is desirable that candidates have been in this type of consulting business a minimum of ten (10) years;
5. A description of the capacity and available resources of the candidate to perform and complete the service;
6. A description of the most important aspect of the method the candidate would employ in providing consulting services relating to retirement systems;
7. Methodology for evaluating various retirement system performance;
8. A description of data base(s) to be used in preparation of reports and analyses;
9. It is desirable that the candidate be immediately available;
10. Submit anonymous sample reports of performance reports presented to current clients;
11. State what you believe sets your performance evaluation services apart from the competition;
12. A detailed narrative indicating how you will be compensated for the services provided for in this RFP based on hard dollar arrangements;

13. Please disclose any known direct or indirect associations that you may have with any money managers that you may be expected to evaluate;
14. Please disclose detailed information about present or pending litigation against the consulting firm, as well as discussing whether monitoring of fund managers for pending U.S. Securities and Exchange Commission and other investigations would fall within the scope of their work, and if so, how they would go about this and how they would report to the Commission;
15. Please disclose known direct/indirect associations that the firm may have with any money managers, the extent you pay for services or receive compensation for services from any firm which is in the universe of fund managers who you will be evaluating. Please provide detailed information about the nature of this business, the percentage it represents of your total revenue, etc.;
16. Please disclose business structure, corporate affiliates, etc., of the consulting firm, and any explanation about lines of business (both present and planned) of the different divisions, parent, or subsidiaries of the consulting firm. Also disclose whether there are any planned or pending mergers or transactions that would affect ownership or the business structure of the consultant firm;
17. Discuss the firm's commitment to delivery of the required report in a timely manner. To the extent possible, be specific. For example, if the firm is willing to commit to provide the report within six (6) weeks of the close of the quarter, so state. Timeliness is important, but so are realistic deadlines. In any event, the chosen firm will be expected to meet its commitment, as the scheduling of meetings will be based on this time frame; and
18. Please state in your response the firm's willingness to meet the following requirements:
 - a. Provide to the Administrator of the Commission a digital copy via e-mail, of all reports in PowerPoint format, at least one week prior to a scheduled Commission meeting;
 - b. The consulting firm selected shall provide twenty (20) hard copies of all reports to be presented at each scheduled Commission meeting; and
 - c. Attend each quarterly Commission meeting.

IV. QUALIFICATIONS STATEMENT

Consultants shall be chosen by the Commission on a competitive bid basis pursuant to standards set out in this RFP. A Consultant:

1. Shall be experienced in providing unbiased third-party consulting services;
2. Shall have in its client base individual clients whose assets are equal to or greater than \$10 billion dollars; and
3. Shall not be under contract with any of the individual governing bodies of the various state retirement systems as of July 1, 2025.

No pre-proposal conference has been scheduled for the Request for Proposal. In an effort to clarify any issues in this RFP, the Commission will respond to questions that are presented in writing. These questions will be consolidated into a single question and answer document and will be distributed to all vendors regardless of whether they submitted questions or not. Questions are due by Friday, September 20, 2024, and may be mailed, faxed, or e-mailed (preferred) to the attention of:

Pension Administrator
Oklahoma State Pension Commission
2300 N. Lincoln, Room 123
Oklahoma City, OK 73105

FAX: 405/521-3426
E-mail address: asmith@sai.ok.gov

The consolidated question and answer document will be returned to vendors via e-mail on or about Friday, September 27, 2024. An original and seven (7) copies of the actual proposal must be placed by applicant in a sealed envelope and be received no later than 12:00 noon Central Standard Time on Friday, October 25, 2024, at the above-mentioned address. Recommendations will be given to the Commission with interviews being held at a later date, if necessary. Awarding of the contract will be voted on and announced at the quarterly meeting in February 2025.

A. There is hereby created the Oklahoma State Pension Commission. The Commission shall consist of seven (7) members as follows:

1. The State Auditor and Inspector or that person's designee;
2. The Director of the Office of Management and Enterprise Services or that person's designee;
3. The State Treasurer or that person's designee;
4. One member who shall be appointed by the President Pro Tempore of the Senate who shall serve at the pleasure of the appointing authority and who shall have demonstrated experience in the investment of private or public funds;
5. One member who shall be appointed by the Speaker of the House of Representatives who shall serve at the pleasure of the appointing authority and who shall have demonstrated experience in the investment of private or public funds;
6. One person to be appointed by the Governor who shall have at least ten (10) years of demonstrated experience in the financial services industry; and
7. One person to be appointed by the Governor who shall have at least ten (10) years of experience in retirement planning, including demonstrated experience with retirement plan designs.

No member of the governing body of a state retirement system shall be eligible to be appointed to the Commission.

B. The Commission shall hold regular meetings at least once each quarter, the dates, time and place to be set by the Commission. The Commission shall hold its first meeting prior to September 30, 1988.

C. The Office of the State Auditor and Inspector shall provide the administrative support required by the Commission.

D. The cost of providing the administrative support shall be apportioned by the State Auditor and Inspector among the Oklahoma Firefighters Pension and Retirement System, the Oklahoma Police Pension and Retirement System, the Uniform Retirement System for Justices and Judges, the Oklahoma Law Enforcement Retirement System, the Teachers' Retirement System of Oklahoma, the Oklahoma Public Employees Retirement System and the Department of Wildlife Conservation on behalf of the retirement plan adopted by the Wildlife Conservation Commission in proportion to the percentage that the assets of each system at the end of the preceding fiscal year were to the combined total of the assets of the systems.

Historical Data

Laws 1988, HB 1582, c. 321, § 38, emerg. eff. July 1, 1988; Amended by Laws 1993, SB 244, c. 322, § 29, emerg. eff. June 7, 1993; Amended by Laws 1996, HB 2087, c. 29, § 1, eff. November 1, 1996; Amended by Laws 2002, HB 1719, c. 391, § 1, emerg. eff. July 1, 2002 ([superseded document available](#)); Amended by Laws 2012, HB 3079, c. 304, § 930 ([superseded document available](#)); Amended by Laws 2015, HB 1052, c. 301, § 1 ([superseded document available](#)); Amended by Laws 2017, HB 2034, c. 180, § 1, eff. November 1, 2017 ([superseded document available](#)).