

OKLAHOMA STATE PENSION COMMISSION
Minutes
August 21, 2013

1. Call to Order

A meeting of the Oklahoma State Pension Commission convened on August 21, 2013, at 9:00 a.m. at the Oklahoma State Capitol, Room 511A, 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. Chairman Miller called the meeting to order.

Members Present: Chairman Ken Miller – State Treasurer; Gary Jones – State Auditor; Senator Brinkley; Mr. John Estus – Designee for Preston L. Doerflinger, Office of Management and Enterprise Services; Vice-Chairman Doug Lawrence and Mr. Lou Trost – Governor Appointees.

Others: Ruth Ann Chicoine – Administrator; Don Stracke – NEPC; Tom Spencer and Brad Tillburg – Public Employees Retirement System; Steve Snyder Jeff Pierce, and W.B. Smith – Oklahoma Police Pension and Retirement System; Greg Lockhart – Oklahoma State Senate Staff; Regina Birchum – Office of the State Treasurer; Ginger Poplin – Law Enforcement Retirement System; Bob Jones - Oklahoma Firefighters Retirement System; Norman Cooper – OREA; Tish Frazier – OPEA; Dana Cramer and Phil Sipe – Oklahoma City Firefighters; Bill Hallman, Tommy Chism, John Soos, Ervin Mitchell, and Kenneth Cook – Retired Oklahoma Firefighters; Cindy Shattuck – OKMRF; and Shawn Ashley – E Capitol.

2. Approval of Minutes dated June 26, 2013

A motion was made by Senator Brinkley and a second by Auditor Jones to approve the minutes – all in favor to approve as presented.

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

The meeting was turned over to Don Stracke of NEPC.

The second quarter challenged investors, with an earlier than expected tapering of stimulation by the Feds combined with slow growth in emerging markets. Most sectors of the market experienced downturns. Treasury yields spiked, with the 10-year treasury rate up; the BoJ continued its heavily stimulated policy, but saw Japanese equity markets dive toward the end of the quarter; gold continued to decline, pushing commodity prices down.

For the quarter, domestic equity benchmarks did well, up 2.9% for the S&P. Emerging markets and EAFE were down for the quarter, along with domestic fixed income and Barclays aggregate. Many positives remain with U.S. equities, having posted strong gains through the first half of 2013; interest rates remain low, the U.S. economy is recovering, and growth in emerging markets remains higher than developed markets.

Risk Parity continues to represent a strong foundation for asset allocation, long-term investment thesis for emerging markets remains intact, inflation prospects remain muted, Illiquid strategies offer a compelling risk-return profile, and there is an expected market volatility to remain elevated in coming months.

First quarter GDP growth was revised down, unemployment increased slightly, consumer confidence jumped, 12-month CPI increased, retail sales rose, inventory-to-sales ratio remained flat, corporate profits remain near secular highs, and the trade deficit increased through April. The rolling percentage change in the leading economic indicators index fell, small business optimism index increased, U.S. GDP rose slightly, and the Chicago Fed National Activity 3 month moving average drifted down.

The Oklahoma retirement plans are outperforming 77% of all public funds. The 3-year number is outstanding, up 12.6%, the 5-year is up 6.6%, and the 10-year is at 7.9%, closer to the assumed rate-of-return. Five of the seven plans are at median or above. The total state assets have beaten the average public fund over every calendar year period.

The total fees for the calendar year have changed very little from the period before. Basis point charge was .31%, the fee level in 2012, 2011 was .32%. Asset value went from \$20.3 billion to \$22.6 billion, when the assets become more, the average fee becomes less because most managers provide fee breaks with larger investments. Asset growth was 11.5% and the fee growth was 6.8%.

Discussion by the Commission and NEPC regarding the Investment Performance and Fee Analysis followed.

4. New Business

Mr. Trost would like to recommend several new items on the November agenda: (1) To consolidate the administrations of the pension funds. (2) To convert a plan from define benefit to defined contribution plan. (3) The ARC be funded on an annual basis, required by statute.

No other new business was brought forward at this time.

5. Adjournment

Treasurer Miller made a motion to adjourn; all in favor, meeting was adjourned. The next regular commission meeting will meet November 13, 2013, at 9:00 a.m. at the Oklahoma State Capitol, Room 511A, Oklahoma City, OK.

Respectfully Submitted: _____
Ruth Ann Chicoine, Administrator