

OKLAHOMA STATE PENSION COMMISSION
Minutes
August 20, 2014

1. Call to Order

A meeting of the Oklahoma State Pension Commission convened on August 20, 2014, at 9:00 a.m. at the Oklahoma State Capitol, 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 Rick Brinkley; John Estus – Designee for Preston Doerflinger, Director, Office of State Finance & Secretary of Finance & Revenue; Vice-Chairman Doug Lawrence and Mr. Lou Trost – Governor Appointees.

Others: Ruth Ann Chicoine – Administrator; Don Stracke - NEPC; David Kinney – AG Legal Counsel for Pension Commission; Tom Spencer and Brad Tillburg – Public Employees Retirement System; Tim Allen – Office of the State Treasurer; Bob Jones – Oklahoma Firefighters Retirement System; Norman Cooper and Steve Massey – OREA; Ginger Poplin – Oklahoma Law Enforcement Retirement System; Melissa Kempkes and Julie Ezzell – Oklahoma Teachers Retirement System; Paul Pustmueller – BOK/Cavanal Hill; and Shawn Ashley – E Capitol.

2. Approval of Minutes dated June 25, 2014

A motion was made by Commissioner Trost to approve the minutes with a second by Vice-Chairman Lawrence – all in favor to approve as presented.

3. 4th Qtr. FY Investment Performance Analysis and Fee Analysis – Don Stracke - NEPC

The meeting was turned over to Don Stracke of NEPC.

Second quarter GDP grew at a rate of 4% after decreasing by 2.1% in the first quarter. The unemployment rate fell to 6.1% in June. The Case-Schiller Home Price Index stayed flat at 150.79 and is slightly below the highest level it has reached since prior to the financial crisis. Rolling 12-month CPI increased to 2.1% at the end of May. Fed Funds rate remains at 0.25% and the 10-year Treasury Yield finished June at 2.53%. The Fed balance sheet continues to increase in 2014, while European Central Bank balance sheets have decreased. S&P valuations rose in June remaining above the 10-year and long-term averages.

U.S. equities advanced in the second quarter amid improving economic data underscoring growth in the U.S. and Europe. Large cap stocks outperformed small cap stocks during the quarter. International equities slightly underperformed. New private equity commitments totaled \$92.1 billion in the second quarter. Buyout and growth equity funds have raised \$88.5 billion through the first half of the years. Mezzanine funds continue to face strong headwinds from a robust high yield market and an expanding supply of private debt. Asian private equity commitments accelerated in 2014.

The market value of the plans is at over \$28 billion at this time, with approximately half of the assets in Teachers. The one year ranking for all plans stands at 19.9%, better than 80% of all plans. Most plans are up around 4% for the quarter, outperforming the average plan.

The Fee Analysis for calendar year 2013 shows that the average fee paid by the State plans was 31 basis points, which is very competitive. The total of all fees paid was \$77 million. There is still pressure on management fees to be lowered.

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

4. RFP Process – Vice-Chairman Doug Lawrence

Chairman Miller opened the discussion as to how the RFP process was proceeding. Vice-Chairman Lawrence stated that a few changes had been made by the Pension's legal counsel and Ruthie, mainly with dates of the RFP regarding the process and the dollar amounts of each plan. Chairman Miller asked that the RFP process for bids be completed for approval by the commission by the next meeting date in November.

Discussion by the Commission regarding the RFP followed.

A motion was made by Commissioner Lawrence to adopt the RFP as amended with a second by Commissioner Jones and mail have it mailed by August 27 to the list of firms that was presented and accepted during the June meeting – all in favor to approve as presented.

7. Adjournment

Treasurer Miller made a motion to adjourn; all in favor, meeting was adjourned. The next regular commission meeting will meet November 12, 2014, at 9:00 a.m. at the Oklahoma State Capitol, Room 511A, Oklahoma City, OK.

Respectfully Submitted: _____
Ruth Ann Chicoine, Administrator