

OKLAHOMA STATE PENSION COMMISSION
Minutes
June 21, 2017

1. Call to Order

A meeting of the Oklahoma State Pension Commission convened on June 21, 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; Vice Chairman, Lou Trost – Governor Appointee; Commissioner Gary Jones – State Auditor; Commissioner Lawrence – Governor Appointee; Commissioner Northrup – Designee for Commissioner Doerflinger.

Others: Ruth Ann Chicoine – Administrator; Don Stracke - NEPC; Joe Fox and Brad Tillburg – Public Employees Retirement System; Andrew Messer and Tim Allen – Oklahoma State Treasurer; Tom Spencer – Oklahoma Teachers Retirement System; Tommy Chism and George Fina – Oklahoma Retired Firefighters Association; Terry Ingmire and Sabra Tucker – Oklahoma Retired Educators Association; Paul Pustmueller – BOK; and Shawn of eCapitol.

2. Approval of Minutes dated February 22, 2017

A motion was made by Commissioner Jones to approve the minutes as presented, with a second by Vice-Chairman Trost, all approving; minutes were adopted.

3. Annual Contract and Projected Administrative Expenditures for FY18

The next fiscal year contract with NEPC will remain at \$100,000 with expenses of no more than \$10,000 per the RFP and NEPC bid of FY14-15. This will be the third year of a five-year fiscal year contract time-frame, with a new RFP starting in FY 19-20. Commissioner Jones made the motion to approve with a second by Commissioner Lawrence, all in favor, contract was approved for FY18.

4. Legislative Update – Vice Chairman Trost

The meeting was turned over to Vice Chairman Trost for an update on House and Senate bills related to the retirement systems, signed by the Governor or sent on for further fiscal analysis. HB1162 was signed by the Governor requiring teachers vesting to increase to seven years. HB1340 may need to be looked at by the Commission since it speaks of a one-time increase to benefits for each of the State's retirement systems. HB2034 amends membership of the Pension Commission by modifying appointments made by the Speaker and President Pro Tempore, a member of the public could be appointed, signed by the Governor. SB242 adds the State Treasurer to the board of trustees of both OPERS and OTRS, signed by Governor. SB423 modifies OTRS by reducing the number of days an eligible employee must make a one-time irrevocable written election to participate in the alternate retirement plan, signed by Governor. It was suggested that the legislature needs to clarify elected officials' retirement and how it is calculated when they have had past employment with a state/county retirement system, but not having paid in at the higher step and how much it cost the retirement systems. This report was accepted by the Commission.

5. Investment Performance Analysis and Investment Outlook – Don Stracke - NEPC

Chairman Miller turned the meeting over to Don Stracke of NEPC to present the reports. The first report presented is the Investment Performance.

First quarter GDP growth rate is estimated to be 0.7%; the unemployment rate decreased to 4.5%; the Case-Shiller Home Price Index increased to 185.51 from 185.06 in October. 12-month seasonally adjusted CPI was up to 2.4% at the end of March; Fed Funds rate increased was +0.25% to a targeted range of 0.75% to 1.0%; the Fed balance sheet increased during the first quarter; and S&P valuations increased remaining above the 10-year and long-term averages.

U.S. equities posted gains in the first quarter, +6.1%; small cap stocks reversed and underperformed large cap; international equities outperformed U.S. markets, returning 7.9%. Private equity fundraising totaled \$89 billion and private equity dry powder continued its increase to \$842 billion up from \$821 in the fourth quarter.

Market value of all the plans was over \$30 billion, ranking 26 out of all plans. Teachers is the largest at 49.9% with a rank of 26. Over the past 10 years all Oklahoma State plans have outperformed 90% of all plans in the U.S. Firefighters was in the fourth percentile for the quarter. The annual calendar year numbers rank the total plans in the fifth percentile. The S&P 500 has been the driving force of the high numbers at 7.5% per year.

The second report, Market Update, is a report that NEPC does annually for different asset classes. The market shows that there is going to be an extended US economic cycle, with the GDP growing slowly, making for a long recovery. Inflation is anticipated to shift marginally higher in the coming years; fiscal stimulus is unlikely to push economic growth into a higher gear. The Federal Reserve is expected to slowly increase interest rates; U.S. dollar strength is interconnected with the Federal Reserve policy; 2017 is likely to be a year for greater uncertainty regarding the Fed policy.

Development of asset class assumptions combine historical data and forward looking analysis; forward-looking asset class models to determine expected return are based on current market pricing and building blocks approach; asset class assumptions are prepared by the Asset Allocation Committee.

No further discussion by the Commission.

6. Adjournment

Chairman Miller made a motion to adjourn; all in favor, meeting adjourned. The next regular commission meeting will meet August 23, 2017.

Respectfully Submitted: _____
Ruth Ann Chicoine, Administrator