

**REGIONAL UNIVERSITY
SYSTEM OF
OKLAHOMA**



MINUTES

SPECIAL PENSION COMMITTEE MEETING

November 17, 2022

**Northeastern State University—Broken Arrow Campus
Education Building
Education Conference Room, Room 243
Broken Arrow, Oklahoma**

**AGENDA OF SPECIAL MEETING OF THE
PENSION COMMITTEE OF THE
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA**

Physical Meeting Site for Board Members:
Northeastern State University—Broken Arrow Campus
Education Building
Education Conference Room, Room 243
Broken Arrow, Oklahoma

**Thursday, November 17, 2022
9:00 a.m.**

1. Announcement of Filing Meeting Notice and Posting of the Agenda in accordance with the Open Meeting Act.
 - a. Call meeting to order
 - b. Roll call
 - c. Approval of minutes of the April 20, 2022, Special Meeting

2. USI Fiduciary Oversight Review for 403 (b) and 457(b) Plans (Teddie Grant)
 - a. Fiduciary Protocol
 - b. Economic Review and Capital Markets Analysis
 - c. Plan Assets & Performance Overview
 - d. Asset Class Benchmarking Analysis
 - e. Discussion and possible action regarding the USI Fiduciary Oversight Review

3. Voya Review for 403(b) and 457(b) Plans (David Bowman)
 - a. Statistical overview of RUSO 403(b) and 457(b) Plans as of 09/30/2022
 - b. Local Voya plan representative updates
 - c. Financial Education/Technology Best Practices
 - d. Legislative Updates
 - e. Discussion and possible action regarding the Voya 403(b) and 457(b) Plans

4. SRA Review (Alex Cabe)
 - a. Plan Review
 - b. Investment Policy Statement Review (need signed copy)
 - c. Rebalancing requests for two plans: Northeastern State University (New Plan) and Southeastern OK State University (New Plan)
 - d. TIAA Traditional 10% redemptions for 2023
 - e. Potential contribution funding for 2022-23
 - f. Discussion and possible action regarding the SRA Review

5. OPEB Review (Alex Cabe)
 - a. Plan Review

- b. Bank of Oklahoma Updates
- c. Discussion and possible action regarding the OPEB Review
- 6. Bank of Oklahoma Quarterly Portfolio Review—Ronnie Jobe & Evan Walter
 - a. Discussion and possible action regarding quarterly portfolio review.
- 7. Chair’s Report—Dennis Westman
 - a. Retiree Medical Trust Working Group
 - b. Discussion and possible action regarding the Chair’s Report.
 - c. Determine meeting dates for future Pension Meetings
- 8. Adjournment

**MINUTES OF SPECIAL MEETING OF THE
PENSION COMMITTEE OF THE
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA**

Physical Meeting Site for Board Members:
Northeastern State University—Broken Arrow Campus
Education Building
Education Conference Room, Room 243
Broken Arrow, Oklahoma

**Thursday, November 17, 2022
9:00 a.m.**

1. Announcement of Filing Meeting Notice and Posting of the Agenda in accordance with the Open Meeting Act.

The members of the Pension Committee of the Regional University System of Oklahoma met in special session at 9:00 a.m. November 17, 2022, at Northeastern State University—Broken Arrow Campus, Education Building, Education Conference Room, Room 243. Broken Arrow, Oklahoma. Notice of the Special Meeting had been properly filed with the Secretary of State, November 3, 2022, and a copy of the Agenda posted online by 9:00 a.m., November 16, 2022 in compliance with the Open Meeting Act.

a. Call meeting to order

Chair Dennis Westman called the meeting to order at 9:07 a.m.

b. Roll call

Dennis Westman, Southeastern Oklahoma State University
Christy Landsaw, Northeastern State University
Dr. David Pecha, Northwestern Oklahoma State University
Brenda Burgess, Southwestern Oklahoma State University

Kevin Freeman, University of Central Oklahoma
Sheridan McCaffree, Regional University System of Oklahoma

Absent: Regent Gary Parker (RUSO), Ron Bussert (ECU)

Others in Attendance: Andy Ogeare (USI), Alex Cabe (USI), Teddie Grant (USI), David Bowman (VOYA), Diane Feinberg (UCO) and Priya Desai (Regional University System of Oklahoma, Executive Assistant)

c. Approval of minutes of the April 20, 2022, Special Meeting
Kevin Freeman made the motion, seconded by Christy Landsaw to approve the Special Meeting Minutes for April 20, 2022.

Voting for the motion: Christy Landsaw, Dr. David Pecha, Brenda Burgess, Kevin Freeman, Dennis Westman, and Sheridan McCaffree

Voting Against the motion: None

2. USI Fiduciary Oversight Review for 403 (b) and 457(b) Plans (Teddie Grant)

a. Fiduciary Protocol

This item was not discussed.

b. Economic Review and Capital Markets Analysis

- Reviewed page 21 Economic Indicators-Real GDP grew in 3Q at 2.6% after two previous quarters of decline mainly due to a large upswing in trade.
- Reviewed page 22 Recession Indicators-As the Federal Reserve continues its hawkish path of monetary tightening, the likelihood that the US economy may slip into a recession in the short term has arisen. The National Bureau of Economic Research looks for a broad-based economic basket decline and five of the six measures over the last six months are still positive.
- reviewed page 23 Labor Market-The labor market continues to be tight. However, both the details of the payroll report and a broader view of the labor market suggest that moderation is continuing after very strong gains earlier in 2022. The Job Openings and Labor Turnover Survey (JOLTS) report for last month suggests the labor market may be heading back to a more balanced state with job openings dropping to 10.3 million from 10.7 million from the prior

month.

- Reviewed page 26 Equity Returns-US equities continued to be in bear market territory. Only the small cap growth asset category made a positive return during Q3. Energy and consumer discretionary were the only two sectors that made a positive return whereas the growth-oriented communication services sector and real estate were notable laggards during the quarter. In another major reversal from the prior quarter, growth stocks held up better than value in the large cap category, helped by the summer rally in consumer discretionary and other growth stocks. Tech and other high-growth stocks bounced back in the first half of the quarter as deteriorating economic indicators raised hopes for a quicker end to Fed rate hikes and bond yields fell.
- Covered page 31 Market Timing-Staying invested through times of uncertainty has historically rewarded long term-term investors

c. Plan Assets & Performance Overview

- Reviewed page 33 Asset Allocation 403(b) Plan
 - Balances as of end Q2-2022 \$91,909,538
 - Balances as of end Q3-2022 \$87,135,926
 - Assets declined by 5.2%
 - Majority of assets invested in Vanguard Target Date Funds at 68%
- Reviewed page 34 Asset Allocation
 - Balances as of end Q2-2-22 \$5,050,919
 - Balances as of end Q3-2022 \$5,040,683
 - Assets declined by 0.20%
 - Majority of assets invested in Target Date Funds at 49%
- Reviewed page 35-36 Style Diversification-403(b) Plan
- Reviewed page 37-38 Style Diversification-457 (b) Plan
- Reviewed page 78 Action History Report-All funds on hold. The Vanguard 2070 Target Date Fund was added to the mix and the 2015 merged on into the Income Fund
- Reviewed page 41-43 Performance- 70% of funds with top half ranking based on 3-year trailing results, 89% ranked top half on a 5-year trailing period, and 93% of funds with top half ranking on a 10-year trailing period.
- Reviewed page 58-Scorecard- The American Fund AMCAP R6 failed the quantitative scoring per commentary highlights on page 59. Also explained 5 “P” (people, philosophy, process, performance and product) Due Diligence Process on page 56
- Reviewed page 60-62 Target date Family Overview-5-year trailing

performance, glide path analysis and underlying asset allocation by vintages

d. Asset Class Benchmarking Analysis

- Looks at how the investment line up is constructed compared to peers. Reviewed executive summary. The investment lineup has a good mixture of investment options across key asset classes within equities, fixed income, and target date funds, offering 18 investment options, counting the target date fund suite as one option. Investment expenses are reasonable when compared to the median fund within the same asset class and in the lowest available share class for each product. The Vanguard TDFs are in the lowest available institutional share class. The Plan has 11 investment options, providing the full opportunity set of U.S. equities. Domestic equities typically present the largest segment of DC participant portfolios and therefore poses a larger set of decisions for plan sponsors. The Plan also offers 2 international equity options. International equity markets have grown significantly in recent years, representing about 60% of the worlds' market capitalization. International exposure is becoming an important part of a well-diversified participant portfolio. The MFS Instl International Equity is categorized under the international large blend asset class with a small exposure to emerging markets. Dodge & Cox International Stock I is an international large-cap value fund. The overall utilization for the foreign large cap value asset class is relatively low by other DC plans (9%). Consider the suitability of this asset class and the ability of participants to utilize this international option appropriately.

e. Discussion and possible action regarding the USI Fiduciary Oversight Review

No action was taken.

3. Voya Review for 403(b) and 457(b) Plans (David Bowman)

a. Statistical overview of RUSO 403(b) and 457(b) Plans as of 09/30/2022

- Reviewed page 3- 403(b) asset history from 2018 to present. Assets have grown from \$72.9M in 2018 to \$87.13M in 2022
- Reviewed page 4- 457 asset history 2018-2022. Assets moved from

\$1.42M to \$5.04M in 2022.

- Reviewed page 5 Participant counts 403(b) Plan by year-Participant counts moved from 1,652 as of September 2018 to 2,017 as of Sept 2022

b. Local Voya plan representative updates

- Reviewed page 10 Participant Outreach Update-Over 5000 financial wellness communications, emails and other educational newsletters sent to participants, 20 campus visits with 750 plus individual 1:1 advisor/client interactions

c. Financial Education/Technology Best Practices

Reviewed page 11-SAFE Guarantee-Voya is committed to safeguarding participants' personal information from risk of fraud, cyber threats and unauthorized activity and has certain guarantees in place

d. Legislative Updates

David Bowan covered the 2023 Cost of Living Adjustments.

e. Discussion and possible action regarding the Voya 403(b) and 457(b) Plans

No action was taken.

4. SRA Review (Alex Cabe)

a. Plan Review

- Plan Review- most Plans have equity exposures to be on target for long-term return objective of 6%, with exception to Southwestern OK State University (old Plan), Board of Regents of OK Colleges, and Northeastern State University (old Plan)
- Noted this year has been poor for equity markets (S&P 500 was down 24% YTD through 9/30/2022) and bonds were having there worse year (e.g., 1994 intermediate bonds were down 3-4%), but this year are down over 14% YTD
- As a result of poor equity and bond markets, Plan assets fell in value, but with rising rates, Plan liabilities fell sharply as well

b. Investment Policy Statement Review (need signed copy)

There is a revised copy that needs to be approved and signed at the next pension meeting.

c. Rebalancing requests for two plans: Northeastern State University (New Plan) and Southeastern OK State University (New Plan)

- Rebalancing requests for two plans: Northeastern State University (New Plan) and Southeastern OK State University (New Plan)

d. TIAA Traditional 10% redemptions for 2023

This item was not discussed.

e. Potential contribution funding for 2022-23

This item was not discussed.

f. Discussion and possible action regarding the SRA Review

No action was taken.

5. OPEB Review (Alex Cabe)

a. Plan Review

- Alex noted USI is the 3(21) advisors to the Plan and Bank of Oklahoma is the 3(38)-investment manager, therefore, USI could suggest improvements/evaluate the Plan, but only BOK can implement/approve investment decisions
- Noted that an IPS could not be reasonably implemented by USI, since would not be able to control asset allocation, investment objectives and requested whether BOK has an IPS that could be shared, so we could at least evaluate and provide feedback to the Committee
- Asset allocation and investment objectives- evaluated whether it was prudent to lack exposure to U.S. mid/small cap stocks (particularly for the long-term), why there was an overweight to emerging markets relative to developed overseas markets

b. Bank of Oklahoma Updates

- Additionally, suggested having exposure to long/short and market neutral funds could be beneficial with the higher rate environment and providing less correlated returns to equity markets, but noted the funds selection process by BOK (e.g., why Neuberger,

particularly higher fees)

- Overall, USI could enhance the fund lineup, asset allocation, investment process, and help lower costs and would continue to help the Committee independently evaluate the performance of the OPEB Plan in relation to BOK's direct oversight
- Provided a response to BOK's investment outlook on interest rates, Fed Policy on rates, inflation, and unemployment as the core objectives to Fed Policy

c. Discussion and possible action regarding the OPEB Review

No action was taken.

6. Bank of Oklahoma Quarterly Portfolio Review—Ronnie Jobe & Evan Walter

Bank of Oklahoma representatives Ronnie Jobe, Director of Institutional Investment Advisors & Evan Walter, Institutional Wealth relationship manager, presented a quarterly portfolio review which included a review of the markets and the economy as well as fund performance.

a. Discussion and possible action regarding quarterly portfolio review.

No action was taken.

7. Chair's Report—Dennis Westman

a. Retiree Medical Trust Working Group

No action was taken.

b. Discussion and possible action regarding the Chair's Report.

No action was taken.

c. Determine meeting dates for future Pension Meetings

It was determined that the Committee meet quarterly and tie the meeting dates to the board meetings.

8. Adjournment

Kevin Freeman made the motion, seconded by Sheridan McCaffree to adjourn the meeting.

Voting for the motion: Christy Landsaw, Dr. David Pecha, Dennis Westman, Brenda Burgess, Kevin Freeman, and Sheridan McCaffree

Voting Against the motion: None

The meeting adjourned at 12:00 p.m.