

**AGENDA OF SPECIAL MEETING OF THE
PENSION COMMITTEE OF THE
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
UNIVERSITY OF CENTRAL OKLAHOMA HIGH UNIVERSITY CENTER, ROOM 423
EDMOND, OKLAHOMA
Monday, August 28, 2023
10:30 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 February 23, 2023, Special Meeting

2. USI Fiduciary Oversight Review for 403 (b) and 457(b) Plans (Teddie Grant)
 - a. Fiduciary Protocol
 - b. 2023 Q2 Economic Review and Capital Markets Analysis
 - c. 2023 Q2 Plan Assets & Performance Overview
 - d. Investment Recommendations
 - e. Discussion and possible action to approve Investment Policy Statement
 - f. Stable Value Review
 - g. Discussion and possible action regarding the USI Fiduciary Oversight Review

3. Voya Review for 403(b) and 457(b) Plans (David Bowman)
 - a. Statistical highlights of RUSO 403(b) and 457(b) Plans for June 30, 2023
 - b. Secure Act 2.0 highlights
 - c. Discussion and possible action regarding the Voya 403(b) and 457(b) Plans

4. SRA Review (Jaime Packer & Alex Cabe)
 - a. Plan Review
 - b. Investment Policy Statement- requesting Committee signature
 - c. USIA and TIAA process improvements for SRA
 - d. Rebalancing during Q2-Q3: East Central, Board of Regents
 - e. Upcoming rebalancing requests for Q3: Northeastern State Univ (new Plan) and Southeastern OK State Univ (new Plan)
 - f. Rebalancing requests for Q4: Central OK University (old and new Plans) and Northwestern (old and new Plans)
 - g. TIAA Traditional 10% redemptions for 2023
 - h. Estimated contribution funding for 2024 will be available during Q3-Q4 of 2023
 - i. Discussion and possible action regarding SRA review

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

- b. Share class enhancement- First Eagle Overseas I (SGOIX) to First Eagle Overseas R6 (FEORX) which has 0.80% expense ratio (vs 0.89) and based on current assets of \$1.42 mil (would reduce investment expense by about \$1,275 per annum). Bank of Oklahoma is the Plan's 3(38) and should agree to make this change.
- c. Discussion and possible action regarding the OPEB Review

7. Adjournment

**MINUTES OF SPECIAL MEETING OF THE
PENSION COMMITTEE OF THE
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
UNIVERSITY OF CENTRAL OKLAHOMA NIGH UNIVERSITY CENTER, ROOM 423
EDMOND, OKLAHOMA
Monday August 28, 2023
10:30 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 10:30 a.m. August 28, 2023, at The University of Central Oklahoma University, Nigh University Center, Room 423. Notice of the Special Meeting had been properly filed with the Secretary of State, August 26, 2023 and a copy of the Agenda posted online by 10:30 a.m., August 27, 2023 in compliance with the Open Meeting Act.

- a. Call meeting to order.

Chair Brenda Burgess called the meeting to order at 10:30 a.m.

- b. Roll call.

Dennis Westman, Southeastern Oklahoma State University
Christy Landsaw, Northeastern State University
David Pecha, Northwestern Oklahoma State University
Brenda Burgess, Southwestern Oklahoma State University
Kevin Freeman, University of Central Oklahoma
Darrell Morrison, East Central University
Regent Chris VanDenhende, Regional University System of Oklahoma
Sheridan McCaffree, Regional University System of Oklahoma

- c. Approval of minutes of the February 23, 2023, Special Meeting

Kevin Freeman made the motion, seconded by Christy Landsaw to approve the Special Meeting Minutes for February 23, 2023.

Voting for the motion: Christy Landsaw, David Pecha, Brenda Burgess, Kevin Freeman, Dennis Westman, Darrell Morrison, Chris VanDenhende, 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-Teddie reviewed the following topics:
 - i. Reviewed page 31- Economic Indicators- Despite the dire forecasts of many economists earlier in the year, as many predicted a recession later in 2023 given the Fed's efforts to cool the economy over the last year, the first half of the year was positive for the equity markets with a strong economic growth, inflation continuing to cool down and job market remaining strong. The first estimate of 2Q23 GDP showed the economy grew at a better-than-expected 2.4% annualized rate, shortly after upward revision of Q1 GDP from 1.3% to 2.0%. The increase in Q2 GDP reflected increases in consumer spending and non-residential fixed investment, which were partly offset by decreases in exports and residential fixed investment.
 - ii. Reviewed page 32- The National Bureau of Economic Research, NBER uses a basket of 6 broad-based economic factors in the overall determination if we are in recession: measures such as real personal income less transfers, nonfarm payroll employment, employment as measured by the household survey, real personal consumption expenditures, wholesale-retail sales adjusted for price changes and industrial production. The chart at the bottom shows the key economic variables monitored by the NBER that have improved over the last six months. We have not seen broad-based declines, although there has been some slowing in retail sales and industrial production, mainly pressured by higher inflation. Meanwhile, consumer spending has held up at 1.3% and the labor market continues to be a bright spot for the economy, with payroll employment gaining 1.1%.
 - iii. Reviewed page 33-Labor Markets- Non-farm payrolls grew by 209K in June, the fewest number of jobs since December 2020 and then a weaker print in July (187K jobs added). This was a welcome sign for the Fed after the June ADP Private Jobs data came in well above expectations. Recent moderating in the labor market and easing inflation pressure would make it difficult to justify further rate hikes. July and Aug CPI reports will be more important in determining the Fed's outlook.
 - iv. Reviewed page 35- The June inflation report revealed another welcoming drop in headline inflation (CPI) from the previous month of 4.0% to 3.0% annually, which was the smallest 12-month reading since March of 2021. The Federal Reserve has recently pointed to another preferred measure of underlying inflation, core services outside of shelter or so called "Super-Core Inflation". Super-Core has risen 3.6% YoY, with the largest contributor coming from CPI Transportation Services. We saw a surge in auto insurance and auto maintenance/repair costs which was largely a response to the demand for auto sales from last year. The auto supply chain problems are now largely resolved, which has allowed wholesale inflation for auto parts and used car prices to come down.
 - v. Reviewed page 39- Equities capped off another strong month in June. The S&P 500 increased 6.61% during the month and 8.74% for the

quarter on the back of artificial intelligence (AI) tailwinds and persistent mega-cap outperformance. Growth stocks outperformed value for the month but significantly outperformed for the quarter, with the Russell 1000 Growth Index increasing by 12.8% for the quarter, while the Russell 1000 Value Index returned 4.1%. For the quarter, the technology, communication services and consumer-discretionary sectors within the Russell 1000 Growth outperformed.

- vi. Reviewed page 42 After a bounce back in Q1, higher interest rates dragged on bond performance in Q2. The Bloomberg US Aggregate Bond Index returned -0.84%. The plus sectors outperformed investment-grade sectors, with US high yield returning 1.7% and leveraged loans 3.1%, while emerging markets (EM) sovereign and corporate debt both returned 1.4%.

c. Plan Assets & Performance Overview

- i. Reviewed page 45 &46 Asset Allocation-
 - 1. 403(b) Plan-Balances as of end Q2-2023 \$101,752,375; the Plan assets grew 3.7% from the prior quarter.
 - 2. 457(b)Plan-Balances as of end Q2-2023 \$6,288,261; the Plan assets grew 5% from the prior quarter.
- ii. Reviewed page 47-48 Style Diversification 403(b) Plan- 67% of assets invested in the Vanguard Retirement Target Date Funds-same as last quarter.
- iii. Reviewed page 49-50 Style Diversification 457(b) Plan-50% of assets are invested on the Vanguard Retirement Target Date Funds-same as last quarter.
- iv. Reviewed page 52 Action History-American Funds AMCAP R6 fund is in the watch list for 3 consecutive quarters due to underperformance.
- v. Reviewed page 53-56 Asset Allocation and Performance-Teddie reviewed the performance results of the funds, outlining the performance attributes for MFS Value R6, American Funds AMCAP R6 and Vanguard Target Retirement TDFs.
- vi. Reviewed page 69-71 TDFs performance, glidepath and underlying funds, and equity exposure of the different vintages compared to their respective peer group vintages-more moderate equity exposure for the vintages further from retirement.
- vii. Reviewed page 90 Fund Recommendations- Recommended replacing the American Funds AMCAP with the JP Morgan Large Cap Growth R6.

Kevin Freeman made the motion, seconded by Christy Landsaw to replace the American Funds AMCAP with the JP Morgan Large Cap Growth R6.

Voting for the motion: Christy Landsaw, David Pecha, Brenda Burgess, Kevin Freeman, Dennis Westman, Darrell Morrison, Chris VanDenhende, and Sheridan McCaffree

Voting Against the motion: None

- d. Discussion on Oklahoma Energy Discrimination Law-The committee indicated that this law does not apply to higher education currently. One of the funds in the lineup-TIAA-CREF Social Choices Equity Instl gives special consideration to certain environmental, social, and governance criteria (ESG), seeking to invest in companies with leadership in ESG performance relative to their peers. Teddie and Alex discussed that currently there are 2 domestic large cap blend funds (asset class overlap) and if the committee decides this fund can be consolidated into the Vanguard Total Stock Index Adm offering only one large cap blend fund in domestic equity to reduce fund redundancy. The committee reviewed the level of utilization by participants and assets invested in the strategy and no motion was made to change the strategy currently in the investment menu.
 - e. Discussion and possible action to approve Investment Policy Statement-Teddie reviewed the IPS and will provide a side-by-side comparison of the old and new IPS versions after the meeting.
3. OPEB Review (Alex Cabe)
- a. Share class enhancement-
 - i. Alex suggested that First Eagle Overseas I (ticker: SGOIX) could be moved by Bank of Oklahoma (the 3(38)-investment adviser) to First Eagle Overseas R6 (FEORX) which has a lower expense ratio (0.80% vs 0.89%) and based on current assets in the fund of \$1.42 million would save \$1,275 in annual investment expenses.
 - b. Fund performance/observations
 - i. 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.
 - ii. 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.
 - iii. Alex noted the two long/short equity funds (Calamos and Neuberger) while showing respectable performance vs peers, have lagged simple/statistically significant market benchmarks and that the higher investment expenses by the long/short funds along with relative performance are a lag on the Plan's total return. BOK should be providing alternative options.
4. SRA Review (Alex Cabe)
- a. Discussed signature of IPS- RUSO Committee and USIA to set time at the next meeting to sign-off on both the SRA and 403(b) IPS.
 - b. TIAA Traditional 10% redemptions for 2023 (only two Plans)
 - i. Northeastern (old Plan): \$135,000
 - ii. Southeastern (old Plan): \$12,000
 - c. Process improvements for SRA contributions/rebalancing
 - i. If possible, Plan should utilize ACH vs wires or sending checks.

- ii. Committee provide heads up to Alex prior to transferring funds and three-way communication between USIA, RUSO, and TIAA
 - iii. Plan contributions should be made prior to June 30 each year.
 - d. Alex to discuss off-line with Darrell Morrison and Dana Collins of East Central along with Jaime Packer, Plan's actuary, regarding investment/actuarial process and 2023 funding/rebalancing.
 - e. Most Plans have allocations of 50% or greater: Northwestern OK State (old Plan), Southwestern OK State (old Plan), Board or Regents and Northeastern State (old Plan) are nearing 50% target.
 - f. Plan performance for all RUSO SRA plans have returned greater than the 6% target YTD (p.44 of Q2 Fiduciary Oversight Review, performance estimates)
5. Voya Review for 403(b) and 457(b) Plans (David Bowman)
- a. Statistical overview of RUSO 403(b) and 457(b) Plans as of 06/30/2023
 - i. Covered page 4 - 403(b) asset history from 2019 to present. Assets have grown from \$75.8M in 2019 to \$101.8M in 2023.
 - ii. Covered page 5 - Participant counts 403(b) Plan by year-Participant counts moved from 1,817 as of June 2019 to 2,128 as of June 2023
 - iii. Covered page 22 - 457 asset history 2019-2023. Assets moved from \$1.84M to \$6.29M in 2023.

6. Adjournment

The meeting adjourned by acclamation at 12:30 p.m.