

**REGIONAL UNIVERSITY SYSTEM  
OF  
OKLAHOMA**



**MINUTES**

**SPECIAL PENSION COMMITTEE MEETING**

**March 9, 2021**

**Zoom Meeting Site: <https://zoom.us/j/95101184289>**

**Teleconference Number: 888-475-4499**

**Meeting ID: 951 0118 4289**

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

Zoom Meeting Site: <https://zoom.us/j/95101184289>  
Teleconference Number: 888 475 4499 US Toll-free  
Meeting ID: 951 0118 4289

Committee Members Attending via Zoom: Jessica Kilby (ECU), Christy Landsaw (NSU), David Pecha (NWOSU), Dennis Westman (SE), Brenda Burgess (SWOSU), Kevin Freeman (UCO), Sheridan McCaffree (RUSO), Regent Gary Parker (RUSO)

**Tuesday, May 25, 2021  
12:30 p.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 March 9, 2021 Special Meeting
2. USI Fiduciary Oversight Review for 403 (b) and 457(b) Plans (Andy Ogeare & Teddie Grant)
  - a. Fiduciary Protocol
  - b. Retirement Landscape and Industry Trends
  - c. Legal and Regulatory Developments
  - d. Economic Review and Capital Markets Analysis
  - e. Plan Assets & Performance Overview
  - f. Fund Changes Recommendations
  - g. Discussion and possible action regarding the USI Fiduciary Oversight Review
3. Voya Review for 403(b) and 457(b) Plans (David Whaley)
  - a. Review of RUSO 403(b) and 457(b) Retirement Plans as of 03/31/2021
  - b. DOL's Guidance on Cyber Security
  - c. Cash out of Small Account Balances for Terminated Participants
  - f. Discussion and possible action regarding the VOYA 403(b) and 457 Plans
4. SRA Review (Alex Cabe)
  - a. Fund Performance and Asset Allocation Review
  - b. Year-End 2021 Rebalancing
  - c. Discussion and possible action regarding the SRA Additional Review
5. OPEB Review (Alex Cabe)
  - a. Fund Performance Review
  - b. 3(21) vs 3(38) model discussion

- c. Evaluate Fund, Asset Allocation, and Potential Changes
  - d. Discussion and possible action regarding the OPEB Review.
6. Chair's Report—Jessica Kilby
- a. Retiree Medical Trust Working Group
  - b. Discussion and possible action regarding the Chair's Report.
7. Adjournment

**MINUTES OF SPECIAL MEETING OF THE  
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**Tuesday, May 25, 2021  
12:30 p.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 12:30 p.m. May 25, 2021, via Zoom Video conference. Notice of the Special Meeting had been properly filed with the Secretary of State, April 15, 2021 and a copy of the Agenda posted online by 12:30 p.m., May 24, 2021 in compliance with the Open Meeting Act.

- a. Call meeting to order

Kevin Freeman called the meeting to order at 12:37 p.m.

- b. Roll call

David Pecha, Northwestern Oklahoma State University  
Brenda Burgess, Southwestern Oklahoma State University  
Dennis Westman, Southeastern Oklahoma State University  
Kevin Freeman, University of Central Oklahoma  
Sheridan McCaffree, Regional University System of Oklahoma

**Absent:** Regent Gary Parker (RUSO), Christy Landsaw (NSU)

**Others in Attendance:** Andy Ogeare (USI), Alex Cabe (USI), Jaime Packer (USI), David Whaley (VOYA), Crystal Cheek (Southeastern Oklahoma State University), Marjorie Robertson (Southeastern Oklahoma State University), Diane Feinberg (University of Central Oklahoma) and Priya Desai (Regional University System of Oklahoma, Executive Assistant)

- c. Approval of minutes of the March 9, 2021 Special Meeting

**Dennis Westman made the motion, seconded by David Pecha approve the Special Meeting Minutes for March 9, 2021.**

**Voting for the motion: David Pecha, Brenda Burgess, Dennis Westman, Kevin Freeman, and Sheridan McCaffree**

**Voting Against the motion: None**

**2. USI Fiduciary Oversight Review for 403 (b) and 457(b) Plans (Andy Ogeare & Alex Cabe)**

**a. Fiduciary Protocol**

Andy Ogeare reminded members to complete the online USI Fiduciary Training for their certificate of completion. Mr. Ogeare asked members to let him know when the training has been completed so USI can issue certificates of completion.

**b. Retirement Landscape and Industry Trends**

Alex Cabe provided an overview of the retirement landscape and industry trends for the previous quarter.

**c. Legal and Regulatory Developments**

Alex Cabe provided an overview of legal and regulatory developments for the previous quarter.

**d. Economic Review and Capital Markets Analysis**

Alex Cabe provided an report on the economic review and capital market analysis for the previous quarter.

Over the last year, the S&P was up 56% and was up 6% during the first quarter of 2021. Over the last decade Growth Stocks outperformed Value, but more recently, Value Stocks outperformed Growth Stocks since December 2020. Energy and Financials underperformed for much of last year, however, this year they are both two of the top sectors. Consumer Price Index rose 4.2% for the year through April 2021. There are fears if inflation continues to rise, this could cause interest rates to rise. Bond investors would want higher bond yields to compensate for the higher levels of inflation.

GDP came in at -2.4% last year, which was the worst in Post-World War History, but forecasts had GDP falling more than -5% for 2020 when the pandemic began. Unemployment rate is now 6% from 14.8% last April.

Corporate Profits continued to come in much stronger than expected with over 80% of the companies in the S&P 500 beating their earnings projections by a large margin.

Fiscal stimulus packages so far over \$6 trillion (not including the proposed \$4 trillion for infrastructure, childcare and education) and the Fed's accommodative interest rate policy have supported the economy.

Federal Open Market Committee (FOMC) intends to keep the Fed Funds rate anchored near zero until after 2023, when unemployment is projected to fall back to 3.5%, the same level as February 2020 (prior to the pandemic and a 50-year low at the time).

Rising inflation above the Fed's long-term preferred target of 2% could derail the Fed interest rate policy and cause the Fed to act sooner (therefore unemployment rates and inflation rates offer clues to the future direction of interest rate policy by the Fed).

#### **e. Plan Assets & Performance Overview**

Alex Cabe provided an overview plan assets as well as a performance overview for the previous quarter.

##### - 403(b) plan

- Balances as of end Q4 2020 \$98,847,044
- Balances as of end Q1 2021 \$97,582,915
- Assets grew by 2.88%
- Majority (69%) of assets are invested in the Vanguard Target Date Funds

##### -457 (b) Plans

- Balances as of end Q4 2020 \$3,810,296
- Balances as of end Q1 2021 \$4,191,814
- Assets grew by 10%
- Majority of assets (44%) are invested in the Vanguard Target Date Funds

Alex explained there are excellent investment choices across all key asset classes with no overlap. This is also a mix of active and passive strategies.

-Alex reviewed performance numbers which are net of fees. He explained color coding (green, yellow, red). Focus is on longer term results.

-Alex Cabe explained reasons for deviation of funds which are out of line (red, yellow) were attributed primarily to two macro factors over the last year: growth vs value and systematic risk (measured by beta).

**Jessica Kilby joined the meeting at 12:59 p.m.**

**f. Fund Changes Recommendations**

It was recommended by USI for the RUSO Plans invested in the Vanguard Target Date Funds (TDFs) to map the current Investor Class funds to the corresponding Institutional Share Class. Both the Investor and Institutional share class TDFs are identical products (same asset allocation, underlying funds, management, etc.), except the Institutional share class has a lower fund expense ratio of 0.09% compared to between 0.12% and 0.15% for the Investor class. The share class change would need to be initiated by Voya and participants would get mapped from the current Investor Class fund (e.g., 2035 fund to the corresponding 2035 fund for the Institutional class). The share class change would result in lower expense ratios for the TDFs (aggregate net of fee savings of \$29K based upon the Vanguard TDF balances within the Plan as of 03.31.21). Vanguard reduced the asset level threshold for pension plans to invest in the Institutional TDFs from \$100 million to \$5 million effective December 2020.

The share class change can occur for the 403(b) Plan given it has over \$5 million of assets in the Vanguard TDFs, but is unclear whether it can also be transacted for the 457(b), since it has much less than \$5 million in the Vanguard TDFs.

USI will work with Vanguard to see if an exception can be made, given the size of the 403(b) TDF assets

**Kevin Freeman made the motion, seconded by Dennis Westman to request that VOYA work with Vanguard to move Vanguard retirement funds to the institutional share class.**

**Voting for the motion: Jessica Kilby, David Pecha, Brenda Burgess, Dennis Westman, Kevin Freeman, and Sheridan McCaffree**

**Voting Against the motion: None**

**g. 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 Whaley)**

#### **a. Review of RUSO 403(b) and 457(b) Retirement Plans as of 03/31/2021**

David Whaley did provide a brief review of the RUSO 403(b) and 457(b) Plans as of March 31, 2021.

Ongoing growth being experienced by plans and contributions grew by 10%.

#### **b. DOL's Guidance on Cyber Security**

David Whaley provided a review on the U.S. Department of Labor's guidance on cybersecurity issues.

David Whaley reported that Voya takes a proactive approach in this area. He highlighted the SAFE Guarantee-No loss to participant if there is a theft. He also reported that 57% of population have login credentials; 41% of participants have elected E-delivery. A promotion email was sent out recently.

David Whaley also reported that the SOC 1 report on audit controls can be accessed from Voya's website.

#### **c. Cash out of Small Account Balances for Terminated Participants**

David Whaley reported Plan documents have provisions for mandatory distributions (terminated participants with balances \$5K or less).

Andy Ogeare explained plan sponsor's responsibility in line with locating missing participants per recent DOL guidelines (page 21 of Fiduciary Oversight Review). He suggested the plan considers approval of the removal of participants in this category to relieve on going administration and fiduciary responsibilities to track these participants and ensure they get required communication.

David Whaley explained not all full indicative data is going to Voya by all locations and not all participants terminated status is being updated by the locations.

Kevin Freeman requested Voya provides data on the terminated participants with small balances for further analysis. David Whaley will email the reports to contacts at each location.



**f. Discussion and possible action regarding the VOYA 403(b) and 457 Plans**

No action was taken.

**4. SRA Review (Alex Cabe)**

**a. Fund Performance and Asset Allocation Review**

Alex Cabe provided a review of the fund performance and asset allocation review.

Kevin Freeman mentioned that University of Central Oklahoma contributed during Q1 which was not shown. Following the meeting, Kevin had Lisa Harper resend the figures and \$711,620 was deposited on behalf of the New Plan. Alex noted during the meeting the contribution would not materially impact the current target return for University of Central Oklahoma, since the asset allocation for the Plan was already on track for achieving the target 6% return.

University of Central Oklahoma (old and new Plans) and Southeastern Oklahoma State University (new Plan) allocations are on target for 6% target return.

The RUSO Plans in aggregate are approaching a 5.6% target return

Alex Cabe reported that the TIAA redemptions of up to 10% balances were completed in March and that no redemptions can occur until 2022.

Alex Cabe reported that TIAA requires the RUSO Plans to retain 6 months of periodic benefit payments within the TIAA Traditional, and that all Plans are in compliance for 2021 (Southeastern Oklahoma State University from its \$465,046 planned contribution, allocated \$50k to TIAA Traditional). The actual current balance in TIAA Traditional for Southeastern Oklahoma State University was \$216,619.  $\$38,145$  periodic benefit payments (shown on sheet) \* 6 months of payments =  $\$228,870$ , or a shortfall of  $\$12,452$  (which is also shown on the sheet). The  $\$50k$  added to TIAA Traditional would cover the  $\$12,452$  shortfall, plus the periodic benefit payment of  $\$38,145$ .

The underlying funds within the SRA are performing well relative to benchmarks and peers and noted that the CREF Stock fund (which was removed from the RUSO lineup) carried higher fees and lower net returns than utilizing a combination of the CREF Equity and CREF Bond funds, which is the current strategy.

**b. Year-End 2021 Rebalancing**

Alex Cabe provided an update on the 2021 rebalancing plans.

**c. Discussion and possible action regarding the SRA Additional Review**

No action was taken.

**5. OPEB Review (Alex Cabe)**

**a. Fund Performance Review**

Alex Cabe provided a fund performance review of the Oklahoma Post-Employment Benefits Medical Plan.

**b. 3(21) vs 3(38) model discussion**

Alex Cabe reported that a change to 3(38) requires moving to Schwab from Bank of Oklahoma.

**c. Evaluate Fund, Asset Allocation, and Potential Changes**

The Committee briefly revisited the potential changes. Alex Cabe mentioned that allocations (60% equities, 40% bonds) appropriate per funded status.

**d. Discussion and possible action regarding the OPEB Review.**

Dr. David Pecha advised he was not clear on what the liabilities are for this location and that he cannot recall getting recent reporting.

Jaime Packer explained she was not the actuary on this plan. The actuary is Bob Webb. She also explained the OPEB review as on 2-year cycle. She will discuss with Bob when the next reporting will be available for presentation to the committee

**6. Chair's Report—Jessica Kilby**

**a. Retiree Medical Trust Working Group**

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

**There was no Chair's report. No action was taken.**

## **7. Adjournment**

**Dennis Westman made the motion, seconded by David Pecha to adjourn the meeting.**

**Voting for the motion: Jessica Kilby, David Pecha, Dennis Westman, Brenda Burgess, Kevin Freeman, and Sheridan McCaffree**

**Voting Against the motion: None**

**The meeting adjourned at 3:00 p.m.**