

**OKLAHOMA POLICE PENSION AND
RETIREMENT SYSTEM**

**38th
ANNUAL REPORT
FISCAL YEAR 2019**



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EXECUTIVE DIRECTOR'S LETTER

Dear Member:

The Board of Trustees is pleased to submit the 38th Annual Report of the Oklahoma Police Pension and Retirement System for the year ended June 30, 2019. This report is furnished in accordance with Section 50-105.4 of Title 11 of the Oklahoma Statutes.

The purpose of this report is to provide comprehensive information about the retirement plan including audited financial statements, actuarial information, historical and statistical data on active members, annuitants and benefit payments.

The Oklahoma Police Pension and Retirement System's fiscal year end actuary and audit reports have been completed respectively by Cavanaugh Macdonald Consulting, LLC. and Finley & Cook, PLLC. Both reports are available for review at the office of the Oklahoma Police Pension and Retirement System and on our website at www.opprs.ok.gov.

Respectfully,

Ginger Sigler
Executive Director

This publication, printed by OMES - Central Printing, is issued by the Oklahoma Police Pension and Retirement System as authorized by Ginger Sigler, Executive Director. Forty copies have been prepared at a cost of \$84.00. An electronic version of the publication has been deposited Publications Clearinghouse of the Oklahoma Department of Libraries.

INTRODUCTION

The Oklahoma Police Pension and Retirement System was established January 1, 1981, to provide pension and other specified benefits for members who are qualified police officers and/or their beneficiaries of the participating municipalities.

The mission of the System is to provide secure retirement benefits for members and their beneficiaries.

The Oklahoma Police Pension and Retirement Board is comprised of thirteen (13) members. Seven Board members are elected by members of the System (six are active police officers, and one is a retired member). One Board member is appointed by the Governor, one by the Speaker of the House, one by the President Pro Tempore of the Senate and one by the President of the Oklahoma Municipal League. The two remaining Board members are the State Insurance Commissioner or the Commissioner's designee and the Director of the Office of Management and Enterprise Services or the Director's designee.

The System provides retirement benefits to all retirees. The four primary sources of revenue for the System are contributions from active members, member municipalities, dedicated revenue and investment income. In order to fulfill their fiduciary responsibilities, the Board retains an actuary to prepare an annual valuation. This report is submitted to the Governor and the Legislature. The Board also retains investment managers to ensure that the assets of the fund are being adequately invested at all times. Performance measurement is provided by an investment consulting firm. This firm compares the management of funds and the investment rate of return of the System against similar funds and trusts.

The agency maintains records pertaining to active members, retirees and beneficiaries. The agency also monitors the investments of the System. The agency serves those who proudly and bravely serve all the citizens in their respective municipalities.

FINLEY & COOK, PLLC
Certified Public Accountants

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma Police Pension and Retirement Plan (the "Plan"), administered by the Oklahoma Police Pension and Retirement System, which is a part of the State of Oklahoma financial reporting entity, which comprise the statements of fiduciary net position as of June 30, 2019 and 2018, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of June 30, 2019 and 2018, and the changes in fiduciary net position of the Plan for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I-1 through I-4 and the schedule of changes in employers' net pension (asset) liability, the schedule of employers' net pension (asset) liability, the schedule of contributions from employers and other contributing entities, and the schedule of investment returns on pages 48 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2019, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.



Shawnee, Oklahoma
September 18, 2019

FINANCIAL HIGHLIGHTS

Selected Financial Information at Fair Market Value

	Year Ended June 30	
	<u>2019</u>	<u>2018</u>
	(Amounts in Thousands)	
Net Assets	\$2,618,857	\$2,563,446
Net Investment (Loss) Income	104,882	205,439
Total Contributions	107,886	103,910
Total Revenues	212,768	309,349
Retirement and Other Benefits	155,486	139,563
Administrative Expenses	1,871	1,721
Total Expenses	157,357	141,284
Net Position (Decrease) Increase	55,411	168,065

Selected Investment Information

	Year Ended June 30	
	<u>2019</u>	<u>2018</u>
	(Amounts in Thousands)	
US Government Securities	\$ 41,383	\$ 20,716
Domestic Corporate Bonds	176,870	173,620
International Corporate Bonds and Bond Funds	210,703	192,138
Domestic Equities	644,061	648,955
International Equities	378,081	378,142
Private Equity – Non-Real Estate	279,066	237,332
Low Volatility Hedge Funds	181,141	193,685
Long/Short Hedge Funds	374,278	363,676
Real Estate – Core and Private Equity	226,668	217,485
Commodities	75,381	84,855
Direct Real Estate – Columbus Square	<u>4,300</u>	<u>4,300</u>
Total Investment Portfolio	<u>\$ 2,591,932</u>	<u>\$ 2,514,904</u>

MEMBER HIGHLIGHTS

ACTIVE MEMBERS

	<u>2019</u>	<u>2018</u>
Active Members	4,902	4,791
Average Age	39.9	40.0
Average Service	11.9	12
Non-Vested Terminated Members	825	779
Average Balance	\$4,066	\$3,756

RETIREES AND AVERAGE BENEFITS

	<u>2019</u>	<u>2018</u>
Retired Members	2,887	2,802
Average Annual Benefit	\$33,399	\$32,865
Beneficiaries	790	778
Average Annual Benefit	\$27,185	\$27,185
Disabled Members	138	140
Average Annual Benefit	\$16,956	\$17,266
Deferred Option Plan Members	4	11
Average Annual Benefit	\$52,019	\$41,071
Vested Terminated Members	158	147
Average Annual Deferred Benefit	\$17,942	\$15,767

SELECTED ACTUARIAL INFORMATION

	<u>Valuation as of July 1 Actuarial</u>	
	<u>Status - Actuarial Basis (in millions) Funded</u>	
	<u>2019</u>	<u>2018</u>
Actuarial Accrued Liability	\$2,612.5	\$2,515.8
Actuarial Value of Asset	2,677.3	2,586.1
Unfunded Liability	(64.8)	(70.3)
Funded Ratio	102.5%	102.8%

**Twenty-Year Projected Benefit Payments
(Retirement Benefit Payments)**

Year Ending June 30	Actives	Inactives	Total
2020	\$ 77,702,000	\$ 120,393,000	\$ 198,095,000
2021	64,906,000	119,365,000	184,271,000
2022	70,296,000	118,250,000	188,546,000
2023	77,851,000	117,006,000	194,857,000
2024	83,835,000	115,569,000	199,404,000
2025	89,823,000	114,079,000	203,902,000
2026	94,331,000	112,448,000	206,779,000
2027	102,086,000	110,797,000	212,883,000
2028	110,553,000	109,004,000	219,557,000
2029	117,726,000	107,016,000	224,742,000
2030	129,540,000	104,920,000	234,460,000
2031	139,481,000	102,606,000	242,087,000
2032	147,758,000	100,145,000	247,903,000
2033	156,656,000	97,556,000	254,212,000
2034	165,888,000	94,791,000	260,679,000
2035	174,086,000	91,920,000	266,006,000
2036	182,530,000	88,963,000	271,493,000
2037	198,261,000	85,880,000	284,141,000
2038	209,574,000	82,693,000	292,267,000
2039	223,747,000	79,426,000	303,173,000

Contribution Requirement Summary

	<u>Year ended June 30</u>	
	<u>2019</u>	<u>2018</u>
Total Normal Cost	66,651,000	66,180,000
Amortization of Unfunded Accrued Liability	(5,290,000)	(5,737,000)
Budgeted Expenses	<u>2,250,000</u>	<u>2,126,000</u>
Total Required Contribution	66,611,000	62,569,000
Estimated Member Contributions	27,136,000	25,849,000
Estimated Employer Contributions	<u>44,138,000</u>	<u>42,075,000</u>
Required State Contribution (not less than -0-)	0.00	0.00
Actual State Contribution – Prior Year	39,559,000	39,028,000

**POLICE PENSION AND RETIREMENT SYSTEM
BOARD OF TRUSTEES**

CHAIRMAN, Chris Cook, Edmond
VICE CHAIRMAN, David Roberts, Oklahoma City

State Board District 1	Chris Cook, Edmond
State Board District 2	Robert Groseclose, Mustang
State Board District 3	Thomas Cooper, Broken Arrow
State Board District 4	Jeff Russell, Norman
State Board District 5	Ryan Woods, Tulsa
State Board District 6	David Roberts, Oklahoma City
State Board District 7	Jeff Cealka, Retired
Governor Appointee	Greg Wood
Speaker of the House Appointee	Tim Foley
Senate President Pro Tempore Appointee	Chris Chandler
Oklahoma Municipal League Appointee	Mike Brown
State Insurance Commissioner	Glen Mulready
	<i>Sandra LaVenue Designee</i>
Director of Management and Enterprise Services	John Budd
	<i>Brandy Manek, Designee</i>

STAFF

Ginger Sigler, Executive Director
Sean Ruark, Deputy Director
Deric Berousek, Chief Financial Officer
Ann Burrows, Comptroller
Darcie Gordon, Administrative Officer
Elizabeth Marshall, Accountant
Katie Luttrell, Pension Operations Administrator/IT
Leeandra Galutia, Pension Analyst
Angela McCullough, Senior Pension Analyst
Nancy Nethercutt, Customer Assistance Representative
Lauren Holmes, Administrative Assistant

PROFESSIONAL SERVICE PROVIDERS

BNY MELLON Master Custodian	Cavanaugh Macdonald Consulting, LLC Actuarial Consultant
Asset Consulting Group Investment Consultant	Finley & Cook, PLLC Independent Auditor

INVESTMENT MANAGERS

DOMESTIC EQUITY MANAGERS

Boston Partners Asset Management – Small-Mid Capitalization Value
Silvercrest (formerly Cortina) – Small Capitalization Growth
Grosvenor Capital Management, LP – Long/Short Equity
Grosvenor B LP – Long/Short Equity
Northern Trust Asset Management – Large Capitalization Core Index

INTERNATIONAL EQUITY MANAGERS

AllianceBernstein Trust – Emerging Markets Strategic Core Equity
Baring Asset Management – Focused EAFE Plus International Equity
Mondrian Investment Partners Limited – International Value
Wasatch Advisors- Emerging Markets Small Capitalization

DOMESTIC FIXED INCOME MANAGERS

Agincourt Capital Management – Core Fixed Income
Oaktree Capital Management – Multi- Sector Fixed Income

GLOBAL FIXED INCOME MANAGER

Loomis Sayles & Company, LP – Global Fixed income

REAL ASSETS MANAGERS

Angelo Gordon – Private Real Estate
Blackstone Property Partners – Core Real Estate and Private Real Estate
Cerberus Capital Management – Private Real Estate
Columbus Square – Direct Real Estate
Gresham Tap Fund – Commodity
Hall Capital – Private Real Estate
J.P. Morgan Asset Management Inc. – Core Real Estate
Mount Lucas Management Corporation – Managed Futures
Siguler Guff – Private Real Estate
The Realty Associates Fund – Private Real Estate

SPECIAL STRATEGY MANAGERS

Accel Europe, LP – European Venture Capital
Actis IV – Emerging Market Focused
Apollo European Principal Finance Fund III – European Distressed Debt
Apollo Investment Fund VIII & IX – Buyout
Apollo Accord II & III – Private Credit
ArcLight Energy Partners VI & VII – Other Private Equity – Energy
Arsenal Capital Partners Fund II, & III LP – Small/Mid-Market Buyout
Calera Capital IV – Mid Market Buyout
CenterOak Partners I – Buyout
Encap Energy Cap IX, X & XI – Other Private Equity - Energy
FirstMark Capital Management Fund I, II, III, & IV, LP – Early & Late Stage Venture Capital
Firstmark Capital Opportunity Fund I & II – Venture Capital
Francisco Partners IV & V – Buyout
Knightsbridge Advisers Inc. Fund VI – Venture Capital Fund of Funds
LBC Credit Partners IV – Private Credit
Leonard Green Equity Investors VII - Buyout

Levine Leichtman Capital Partners III & IV, LP – Mid Market Structured Equity
Lexington Capital Partners VI-B, LP – Secondary Interests in Private Equity
Newstone Capital Partners I, II & III, LP – Mezzanine Debt
Oaktree Capital Mgmt. Partners Fund V, VI, VII, VIII, IX, X, Xb LP – Distressed Debt
Oaktree European Dislocation Fund - Distressed
Pacific Alternative Asset Mgmt. Co., Newport Mesa, LLC – Low Volatility Hedge Fund of Funds
Siguler Guff & Company II & III, LLC – Distressed Debt
Sun Capital Partners Group, Inc. Fund V – Control Buyout
TA Associates Fund XIII-B – Venture Capital
TCW/Crescent Mezzanine Partners Fund IV & V, LP – Mezzanine Debt
Thompson Street Capital Partners Fund II, III, IV & V – Small/Mid-Market Buyout
Warburg Pincus Private Equity X, XI, XII & Global Growth LP – Diversified Private Equity
Weathergag Venture Capital I, II & IV, LP – Venture Capital Fund of Funds
Wellington Trust – Global Total Return Fund

LEGISLATION

The following Legislation passed during the 1st Session of the 57th Legislature (2019) amended statutes pertaining to the Oklahoma Police Pension and Retirement System:

HB2269 - Makes technical corrections to bring the Oklahoma Police Pension and Retirement System into compliance with IRS Laws & Regulations.