

**OKLAHOMA POLICE PENSION AND
RETIREMENT SYSTEM**

**39th
ANNUAL REPORT
FISCAL YEAR 2020**



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EXECUTIVE DIRECTOR'S LETTER

Dear Member:

The Board of Trustees is pleased to submit the 39th Annual Report of the Oklahoma Police Pension and Retirement System for the year ended June 30, 2020. 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. Twenty copies have been prepared at a cost of \$67.00. 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, 2020 and 2019, 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, 2020 and 2019, 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.

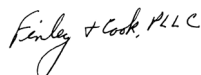
Other Matters

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, and the related notes, on pages 53 through 58 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 10, 2020, 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 10, 2020

FINANCIAL HIGHLIGHTS

Selected Financial Information at Fair Market Value

	Year Ended June 30	
	<u>2020</u>	<u>2019</u>
	(Amounts in Thousands)	
Net Assets	\$2,621,311	\$2,618,857
Net Investment (Loss) Income	55,808	104,882
Total Contributions	111,831	107,886
Total Revenues	167,639	212,768
Retirement and Other Benefits	163,193	155,486
Administrative Expenses	1,992	1,871
Total Expenses	165,185	157,357
Net Position (Decrease) Increase	2,454	55,411

Selected Investment Information

	Year Ended June 30	
	<u>2020</u>	<u>2019</u>
	(Amounts in Thousands)	
US Government Securities	\$ 37,917	\$ 41,383
Domestic Corporate Bonds	217,356	176,870
International Corporate Bonds and Bond Funds	219,400	210,703
Domestic Equities	659,372	644,061
International Equities	399,687	378,081
Private Equity – Non-Real Estate	295,859	279,066
Low Volatility Hedge Funds	164,679	181,141
Long/Short Hedge Funds	229,943	374,278
Real Estate – Core and Private Equity	320,500	226,668
Commodities	22,799	75,381
Direct Real Estate – Columbus Square	<u>4,100</u>	<u>4,300</u>
Total Investment Portfolio	<u>\$ 2,571,612</u>	<u>\$ 2,591,932</u>

MEMBER HIGHLIGHTS

ACTIVE MEMBERS

	<u>2020</u>	<u>2019</u>
Active Members	4,990	4,902
Average Age	39.7	39.9
Average Service	11.7	11.9
Non-Vested Terminated Members	899	825
Average Balance	\$4,275	\$4,066

RETIREES AND AVERAGE BENEFITS

	<u>2020</u>	<u>2019</u>
Retired Members	2,954	2,887
Average Annual Benefit	\$35,338	\$33,399
Beneficiaries	828	790
Average Annual Benefit	\$27,953	\$27,185
Disabled Members	130	138
Average Annual Benefit	\$17,820	\$16,956
Deferred Option Plan Members	2	4
Average Annual Benefit	\$64,446	\$52,019
Vested Terminated Members	161	158
Average Annual Deferred Benefit	\$18,026	\$17,942

SELECTED ACTUARIAL INFORMATION

	<u>Actuarial Valuation as of July 1</u>	
	<u>Funded Status - Actuarial Basis (in millions)</u>	
	<u>2020</u>	<u>2019</u>
Actuarial Accrued Liability	\$2,736.2	\$2,612.5
Actuarial Value of Asset	\$2,756.9	\$2,677.3
Unfunded Liability	(\$20.7)	(\$64.8)
Funded Ratio	100.8%	102.5%

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

Retirement, Survivor and Withdrawal Benefits

Year Ending June 30	Actives	Inactives	Total
2021	\$ 79,088,000	\$ 129,980,000	\$ 209,068,000
2022	66,634,000	128,887,000	195,521,000
2023	73,058,000	127,644,000	200,702,000
2024	78,511,000	126,262,000	204,773,000
2025	84,751,000	124,742,000	209,493,000
2026	88,853,000	123,091,000	211,944,000
2027	96,594,000	121,411,000	218,005,000
2028	105,129,000	119,535,000	224,664,000
2029	112,279,000	117,537,000	229,816,000
2030	123,704,000	115,307,000	239,011,000
2031	133,597,000	112,884,000	246,481,000
2032	141,697,000	110,365,000	252,062,000
2033	150,362,000	107,655,000	258,017,000
2034	159,340,000	104,778,000	264,118,000
2035	167,259,000	101,775,000	269,034,000
2036	175,652,000	98,697,000	274,349,000
2037	191,289,000	95,455,000	286,744,000
2038	202,409,000	92,095,000	294,504,000
2039	216,462,000	88,643,000	305,105,000
2040	229,404,000	85,100,000	314,504,000

Contribution Requirement Summary

Year ended June 30

	<u>2020</u>	<u>2019</u>
Total Normal Cost	72,172,000	69,651,000
Amortization of Unfunded Accrued Liability	(1,692,000)	(5,290,000)
Budgeted Expenses	<u>2,310,000</u>	<u>2,250,000</u>
Total Required Contribution	72,790,000	66,611,000
Estimated Member Contributions	28,108,000	27,136,000
Estimated Employer Contributions	<u>45,694,000</u>	<u>44,138,000</u>
Required State Contribution (not less than -0-)	0.00	0.00
Actual State Contribution – Prior Year	40,295,000	39,559,000

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

CHAIRMAN, Chris Cook, Edmond

VICE CHAIRMAN, Thomas Cooper, Broken Arrow

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	John George, 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>Antuanya "Bo" DeBose, Designee</i>
Director of Management and Enterprise Services	Steven Harpe
	<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
K2 Mauna Kea – 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
Blackstone REP IX – Private Real Estate
Cerberus Capital Management – Private Real Estate
Columbus Square – Direct Real Estate
Hall Capital – Private Real Estate
J.P. Morgan Asset Management Inc. – Core Real Estate
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 III & IIIB – 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
CarVal Credit Value Fund V – Private Credit
CenterOak Partners I – Buyout
Encap Energy Cap IX, X & XI – Other Private Equity - Energy
FirstMark Capital Management Fund I, II, III, IV, & V LP – Early & Late Stage Venture Capital
Firstmark Capital Opportunity Fund I, II & III – Venture Capital
Francisco Partners IV, V, & VI – Buyout
Francisco Partners Agility II – Buyout
Jade Equity Investors LP - Buyout
Knightsbridge Advisers Inc. Fund VI – Venture Capital Fund of Funds

LBC Credit Partners IV – Private Credit
 Leonard Green Equity Investors VII & VIII - 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 II & III, LP – Mezzanine Debt
 North Sky Clean Growth Fund V LP - Buyout
 Oaktree Capital Mgmt. Partners Fund V, VI, VII, VIIb, VIII, IX, X, Xb, XI 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 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 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
 Weathergace Venture Capital I, II & IV, LP – Venture Capital Fund of Funds
 Wellington Trust – Global Total Return Fund

LEGISLATION

The following Legislation passed during the 2nd Session of the 57th Legislature (2020) amended statutes pertaining to the Oklahoma Police Pension and Retirement System:

HB2742 - Modifies the percentage of revenue apportioned in FY21 to the Oklahoma Firefighters' Pension and Retirement Fund, the Police Pension and Retirement System, and the Law Enforcement Retirement Fund and reallocates this revenue to the Education Reform Revolving ("HB 1017") Fund.

HB3330 - Disabilities in the line of duty caused by a violent act against a Police Officer becomes a 100% disability

HB 3350 – Cost of Living Adjustment (COLA) Legislation