



Fiscal Year 2022

41st ANNUAL REPORT

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EXECUTIVE DIRECTOR'S LETTER

Dear Member:

The Board of Trustees is pleased to submit the 41st Annual Report of the Oklahoma Police Pension and Retirement System for the year ended June 30, 2022. 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 summary 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

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. 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.



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
the Oklahoma Police Pension and Retirement System

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

INDEPENDENT AUDITORS' REPORT, CONTINUED

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 57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 14, 2022, 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.

Finley + Cook, PLLC

Shawnee, Oklahoma
September 14, 2022

FINANCIAL HIGHLIGHTS

Selected Financial Information at Fair Value

	Fiscal Year Ended June 30,	
	<u>2022</u>	<u>2021</u>
	<i>(Amounts in Thousands)</i>	
Net Assets	\$ 3,008,967	\$ 3,289,959
Net Investment (Loss) Income	(196,554)	770,131
Total Contributions	115,068	100,719
Total Revenues	(81,486)	870,850
Retirement and Other Benefits	197,346	200,222
Administrative Expenses	2,160	1,980
Total Expenses	199,506	202,202
Net Position (Decrease) Increase	(280,992)	668,648

Selected Investment Information at Fair Value

	Fiscal Year Ended June 30,	
	<u>2022</u>	<u>2021</u>
	<i>(Amounts in Thousands)</i>	
US Government Securities	\$ 28,951	\$ 42,183
Domestic Corporate Bonds	199,267	208,271
International Corp. Bonds and Bond Funds	255,916	286,985
Domestic Equities	684,513	921,659
International Equities	432,035	536,635
Private Equity - Non-Real Estate	537,887	472,871
Low Volatility Hedge Funds	86,096	86,689
Long/Short Hedge Funds	208,105	274,281
Real Estate - Core and Private Equity	496,017	388,478
Direct Real Estate - Columbus Square	3,900	3,900
Total Investment Portfolio	2,932,687	3,221,952

MEMBER HIGHLIGHTS

Active Members

	<u>2022</u>	<u>2021</u>
Active Members	4833	4920
Average Age	39.5	39.6
Average Service	11.4	11.5
Non-Vested Terminated Members	1113	1003
Average Balance	\$5,019	\$4,460

Retirees and Average Benefits

	<u>2022</u>	<u>2021</u>
Retired Members	3182	3088
Average Annual Benefit	\$36,777	\$36,249
Beneficiaries	927	862
Average Annual Benefit	\$28,221	\$27,868
Disabled Members	132	132
Average Annual Benefit	\$18,067	\$18,009
Deferred Option Plan Members	1	1
Average Annual Benefit	\$67,300	\$67,300
Vested Terminated Members	171	156
Average Annual Deferred Benefit	\$19,186	\$18,053

Selected Actuarial Information

As of July 1 – Funded Status on an Actuarial Basis

	<u>2022</u>	<u>2021</u>
	<i>(dollar amounts in millions)</i>	
Actuarial Accrued Liability (AAL)	\$ 2,928.8	\$ 2,810.2
Actuarial Value of Assets	\$ 3,087.3	\$ 2,940.1
Unfunded Liability	\$ (158.6)	\$ (129.9)
Funded Ratio	105.4%	104.6%

Twenty-Year Projected Benefit Payments
(Projected Retirement Benefit Payments for Retirement, Survivor and Withdrawal)
Year Ended June 30,

	Actives	Inactives	Total
2023	\$77,892,000	\$145,645,000	\$223,537,000
2024	66,799,000	144,528,000	211,327,000
2025	70,099,000	143,323,000	213,422,000
2026	72,984,000	141,956,000	214,940,000
2027	80,294,000	140,500,000	220,794,000
2028	88,745,000	138,873,000	227,618,000
2029	95,848,000	137,034,000	232,882,000
2030	106,995,000	134,961,000	241,956,000
2031	116,343,000	132,751,000	249,094,000
2032	124,173,000	130,268,000	254,441,000
2033	132,473,000	127,580,000	260,053,000
2034	141,440,000	124,744,000	266,184,000
2035	149,635,000	121,754,000	271,389,000
2036	157,801,000	118,627,000	276,428,000
2037	173,611,000	115,339,000	288,950,000
2038	184,517,000	111,897,000	296,414,000
2039	198,323,000	108,323,000	306,646,000
2040	210,976,000	104,622,000	315,598,000
2041	226,220,000	100,814,000	327,034,000
2042	239,065,000	96,888,000	335,953,000

Contribution Requirement Summary

Fiscal Year Ended June 30,

	<u>2022</u>	<u>2021</u>
Total Normal Cost	\$ 74,611,000	\$ 72,041,000
Amortization of Unfunded Accrued Liability	(12,948,000)	(10,606,000)
Budgeted Expenses	<u>2,493,000</u>	<u>2,387,000</u>
Total Required Contribution	64,156,000	63,822,000
Estimated Member Contributions	29,154,000	28,045,000
Estimated Employer Contributions	<u>47,381,000</u>	<u>45,580,000</u>
Required State Contributions (not less than -0-)	0.00	0.00
Actual State Contribution - Prior Year	39,848,000	28,368,000

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	Mark Mason, Lawton
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	Mark Nelson, 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	Vacant
Oklahoma Municipal League Appointee	Mike Brown
State Insurance Commissioner	Glen Mulready - Antuanya "Bo" DeBose, Designee
Director of Management and Enterprise Services	Steven Harpe - Vacant - ,Designee

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

Angela McCullough, Senior Pension Analyst

Leeandra Galutia, Pension Analyst

Jennifer Campbell, Administrative Assistant

PROFESSIONAL SERVICE PROVIDERS

BNY Mellon – Master Custodian

Cavanaugh Macdonald Consulting, LLC – Actuarial Consultant

Asset Consulting Group (ACG) – Investment Consultant

Finley & Cook – Independent Auditor

Crawford and Associates – Independent Internal Audit

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 Ascent LLC – Long/Short Equity

Northern Trust Asset Management – Large Capitalization Core Index

INTERNATIONAL EQUITY MANAGERS

Axiom Investors Emerging Markets – Emerging Markets 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 Global 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 and REP X – 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

Starwood Distressed Opportunity Fund XII – Private Real Estate

TA Associates Realty – 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 IV & V – Private Credit

ArcLight Energy Partners VI & VII – Other Private Equity – Energy

Arsenal Capital Partners Fund III LP – Small/Mid-Market Buyout

CarVal Credit Value Fund V – Distressed Debt

CenterOak Partners I – Buyout

Encap Energy Cap IX, X & XI – Other Private Equity - Energy

FirstMark Capital Management Fund I, II, III, IV, V & VI LP – Early & Late-Stage Venture Capital

Firstmark Capital Opportunity Fund I, II, III & IV – Venture Capital

Francisco Partners IV, V, VI & VII – Buyout

Francisco Partners Agility II & III – Buyout

Jade Equity Investors I & II LP - Buyout

Knightsbridge Advisers Inc. Fund VI – Venture Capital Fund of Funds

LBC Credit Partners IV – Private Credit

Leonard Green Equity Investors VII, VIII & IX - 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 VII, VIII, 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

Redmile Biopharma Investments III LP = Medical and Biotech Venture Capital

Stepstone VC Global Partners X – Venture Capital

Sun Capital Partners Group, Inc. Fund V – Control Buyout

TA Associates Fund XIII-B & XIV – Venture Capital

TCW/Crescent Mezzanine Partners Fund V, LP – Mezzanine Debt

TCW MetWest Unconstrained Bond – Fixed Income Absolute Return

Thompson Street Capital Partners Fund II, III, IV, V & VI – Small/Mid-Market Buyout

Warburg Pincus Private Equity X, XI, XII, Global Growth & GG 14 LP – Diversified Private Equity

Weathergauge 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 58th Legislature (2022) amended statutes pertaining to the Oklahoma Police Pension and Retirement System:

HB2034 – Energy Discrimination Elimination Act of 2022. Prohibits all state retirement systems from doing business with a listed financial company that boycotts energy companies.

HB3709 – Allows new members to purchase up to five (5) years of military service at the actuarial valued cost for any military service for members who were honorably discharged.

SB 743 – Allows for all In the Line of Duty Disabilities to be considered 100% starting on November 1, 2022.