



Fiscal Year 2023

42nd ANNUAL REPORT

1001 N.W. 63rd Street, Suite 305
Oklahoma City, OK 73116-7335
(405) 840-3555
(800) 347-6552
Fax (405) 840-8465
WWW.OPPRS.OK.GOV

EXECUTIVE DIRECTOR'S LETTER

Dear Member:

The Board of Trustees is pleased to submit the 42nd Annual Report of the Oklahoma Police Pension and Retirement System for the year ended June 30, 2023. 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, 2023 and 2022, 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, 2023 and 2022, 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 audits. 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.

(Continued)

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 50 through 56 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 15, 2023, 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.

A handwritten signature in cursive script that reads "Finley & Cook, PLLC".

Shawnee, Oklahoma
September 15, 2023

FINANCIAL HIGHLIGHTS

Selected Financial Information at Fair Value

Financial Highlights

	June 30,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
	<i>(Amounts in Thousands)</i>		
• Fiduciary net position restricted for pensions	\$ 3,023,309	3,008,967	3,289,959
• Contributions:			
Cities	49,095	46,124	44,405
Plan members	30,799	29,096	27,946
Insurance premium tax	44,456	39,848	28,368
• Net investment income (loss)	109,062	(196,554)	770,131
• Benefits paid, including refunds and deferred option benefits	216,917	197,346	200,222
• Net increase (decrease) in net position	14,342	(280,992)	668,648

Selected Investment Information at Fair Value

Fiscal Year Ended June 30,

	<u>2023</u>	<u>2022</u>
	<i>(Amounts in Thousands)</i>	
US Government Securities	\$ 34,110	\$ 28,951
Domestic Corporate Bonds	184,895	199,267
International Corp. Bonds and Bond Funds	259,140	255,916
Domestic Equities	751,641	684,513
International Equities	476,361	432,035
Private Equity - Non-Real Estate	534,807	537,887
Low Volatility Hedge Funds	75,653	86,096
Long/Short Hedge Funds	173,457	208,105
Real Estate - Core and Private Equity	445,227	496,017
Direct Real Estate - Columbus Square	3,950	3,900
Total Investment Portfolio	2,939,241	2,932,687

MEMBER HIGHLIGHTS

Active Members

	<u>2023</u>	<u>2022</u>
Active Members	4868	4833
Average Age	39.1	39.5
Average Service	11	11.4
Non-Vested Terminated Members	1216	1113
Average Balance	\$5,168	\$5,019

Retirees and Average Benefits

	<u>2023</u>	<u>2022</u>
Retired Members	3294	3182
Average Annual Benefit	\$37,590	\$36,777
Beneficiaries	958	927
Average Annual Benefit	\$28,924	\$28,221
Disabled Members	149	132
Average Annual Benefit	\$21,347	\$18,067
Deferred Option Plan Members	1	1
Average Annual Benefit	\$67,300	\$67,300

Selected Actuarial Information

As of July 1 – Funded Status on an Actuarial Basis

	<u>2023</u>	<u>2022</u>
	<i>(dollar amounts in millions)</i>	
Actuarial Accrued Liability (AAL)	\$ 2,992.8	\$ 2,928.8
Actuarial Value of Assets	\$ 3,174.7	\$ 3,087.3
Unfunded Liability	\$ (181.9)	\$ (158.6)
Funded Ratio	106.1%	105.4%

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

	Actives	Inactives	Total
2024	\$57,749,000	\$154,657,000	\$212,406,000
2025	59,631,000	153,342,000	212,973,000
2026	65,173,000	151,800,000	216,973,000
2027	72,814,000	150,134,000	222,948,000
2028	80,853,000	148,249,000	229,102,000
2029	87,263,000	146,144,000	233,407,000
2030	98,670,000	143,842,000	242,512,000
2031	108,699,000	141,326,000	250,025,000
2032	116,191,000	138,540,000	254,731,000
2033	128,176,000	135,611,000	263,787,000
2034	136,676,000	132,455,000	269,131,000
2035	149,240,000	129,203,000	278,443,000
2036	154,210,000	125,783,000	279,993,000
2037	166,550,000	122,197,000	288,747,000
2038	180,980,000	118,453,000	299,433,000
2039	188,384,000	114,594,000	302,978,000
2040	208,266,000	110,595,000	318,861,000
2041	224,036,000	106,526,000	330,562,000
2042	234,961,000	102,360,000	337,321,000
2043	253,371,000	98,121,000	351,492,000

Contribution Requirement Summary

Fiscal Year Ended June 30,

	<u>2023</u>	<u>2022</u>
Total Normal Cost	\$ 79,305,000	\$ 74,611,000
Amortization of Unfunded Accrued Liability	(14,861,000)	(12,948,000)
Budgeted Expenses	<u>2,524,000</u>	<u>2,493,000</u>
Total Required Contribution	66,968,000	64,156,000
Estimated Member Contributions	30,960,000	29,154,000
Estimated Employer Contributions	<u>50,316,000</u>	<u>47,381,000</u>
Required State Contributions (not less than -0-)	0.00	0.00
Actual State Contribution - Prior Year	44,456,000	39,848,000

POLICE PENSION AND RETIREMENT SYSTEM

BOARD OF TRUSTEES

CHAIRMAN, Chris Cook, Edmond

VICE CHAIRMAN, Jeff Cealka, Tulsa Retired

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	Mike Mazzei
Speaker of the House Appointee	Tim Foley
Senate President Pro Tempore Appointee	Jerry Morris
Oklahoma Municipal League Appointee	Mike Brown
State Insurance Commissioner	Glen Mulready - <i>Antuanya "Bo" DeBose, Designee</i>
Director of Management and Enterprise Services	John Suter - <i>Secretary John Laws, 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
Angela McCullough, Senior Pension Analyst
Leeandra Galutia, Pension Analyst
Jennifer Campbell, Administrative Assistant
Tammy Filer, Customer Assistance Representative

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

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
Clayton, Dubilier, & Rice Fund XII - 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 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 – Secondary Buyout
Oaktree Capital Mgmt. Partners Fund 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
Redmile Biopharma Investments III LP = Medical and Biotech Venture Capital
Saw Mill Capital Partners III Buyout
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
Truebridge Capital Partners – Fund VIII and Secondaries I
Warburg Pincus Private Equity X, XI, XII, Global Growth & GG 14 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 59th Legislature (2023) amended statutes pertaining to the Oklahoma Police Pension and Retirement System:

SB 630 – Address the changes made by the Omnibus Bill passed at the end of 2022. It made changes to Required Minimum Distribution ages and allows retired public safety officers to pay their own insurance premiums and take the \$3,000 tax exclusion.

HB 2131 – Contributions received from the cities must be paid online. Allows Department of Human Services the ability to attach a retirees monthly pension check for child support payments.