

## Oklahoma System Keeps Managers Despite ESG Considerations

By Katie Cerulle | Published 09/26/23 | Timetable N/A

### INVESTOR

#### Oklahoma Public Employees Retirement System

**Fund Size (m)**  
(As of 07/25/2023) USD 11,000.00 / GBP 8,761.83 / EUR 10,215.15

**Country** USA

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### SUMMARY OF INVESTMENTS

#### Breakdown

Actual allocation as of 12/31/2022: 0.1% Real Estate Unspecified, 40.26% US Equities, 28.07% International Equities, 31.17% Domestic Bonds, 0.4% Cash. Target allocation as of 07/20/2023: 40% US Equities, 28% International Equities, 32% Domestic Bonds, Cash.

### INVESTMENT CONSULTANT

#### Verus (previously Wurts & Associates)

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### MANAGER ROSTER

Baillie Gifford & Co. (International Equities); UBS Asset Management (US Equities); BlackRock (International Equities, US Equities, Fixed Income Unspecified, TIPS); Newton Investment Management (North America Equities Unspecified); State Street Global Advisors (US Equities); TCW (Fixed Income Unspecified); Barrow Hanley Global Investors (US Equities); Mondrian Investment Partners (International Equities); DePrince, Race & Zollo (DRZ) (US Equities); Westfield Capital Management (US Equities); Hoisington Investment Management Co. (Fixed Income Unspecified); Northern Trust (Cash); AJO (US Equities); TD Ameritrade (Other Unspecified); Mellon Capital (Other Unspecified);

### PREFACE

The \$11bn Oklahoma Public Employees Retirement System decided to retain incumbent managers State Street Global Advisors and BlackRock after three recent RFPs closed, which were seeking to replace the managers after they were placed on the state's "restricted financial companies list" last year. Verus advises.

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## REPORT

Executive director Joseph Fox shared documents with MandateWire from the fund's August 23 board of trustees meeting, where Verus disclosed the results of the [three RFPs](#) and their analysis on respondents.

The three RFPs were for US large-cap enhanced index equity, US constrained core fixed income, and passive US and international equities and TIPS.

The US large-cap enhanced index mandate is currently managed by State Street and is worth \$620.7mn.

OPERS received 10 responses for this RFP. The finalists, which were narrowed down by Verus, were Fidelity Investments, Parametric Portfolio Associates, PGIM, T. Rowe Price and Newton Investment Management. Newton is currently a large-cap enhanced equity manager for the system, and therefore was not considered.

Verus said that all managers who responded to this RFP are of institutional quality, but when evaluating these managers in totality, accounting for historic track record and proposed fees, "there is not a candidate who represents a significant improvement over State Street."

The US constrained core fixed income mandate is currently managed by BlackRock and is worth \$1.7bn.

OPERS received 31 responses for this search, which Verus independently reviewed and narrowed to four top candidates: Income Research + Management, NISA Investment Advisors, Jennison Associates and Loomis Sayles.

In a similar fashion to the large-cap search, Verus stated that there was not a candidate that was believed to be superior to the incumbent after analysis of historical track record, fees and risk.

The passive US equity mandate is worth \$2.3bn, the passive international equity mandate is worth \$2.1bn and the TIPS mandate is worth \$413.7mn. All three are currently managed by BlackRock.

OPERS received multiple responses for the various index fund management RFPs, which were narrowed down to AllianceBernstein, Northern Trust Global Investments, BNY Mellon and UBS Asset Management.

Verus said there is significant transaction cost in switching international managers. BlackRock maintained the lowest fees for all mandates other than the international equity mandate, where Northern Trust proposed the lowest fees.

After receiving the results from Verus, Fox told MandateWire the board determined that compliance with the divestment required in the Oklahoma Energy Discrimination Elimination Act would be inconsistent with the fiduciary responsibility of the fund.

So, the board voted to take the fiduciary exemption that is allowed under the act, which allows the board to retain any investments in or contract with financial companies on the list.

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