

STATE OF OKLAHOMA

2nd Session of the 44th Legislature (1994)

CONFERENCE COMMITTEE SUBSTITUTE

FOR ENGROSSED

HOUSE BILL NO. 1684

By: Hamilton (James),
Langmacher, Glover and
Ferguson of the House

and

Williams (Don) and Taylor
of the Senate

CONFERENCE COMMITTEE SUBSTITUTE

An Act relating to public lands; amending 64 O.S. 1991, Section 51, which relates to investment of permanent school funds and other educational funds; providing for application of acts; adding certain standards and purposes; prohibiting certain investments; authorizing certain purchases; specifying certain restrictions; providing for an investment committee; providing for investment plans and guidelines; providing for investment managers; authorizing retaining an investment advisor; providing procedure and duties; authorizing certain actions; requiring certain plans and reports; providing for contents; requiring passage of a constitutional amendment for implementation; providing for powers and duties of Cash Management and Investment Oversight Commission; requiring certain review and recommendations; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 64 O.S. 1991, Section 51, is amended to read as follows:

Section 51. A. 1. ~~All of the~~ The permanent school funds and other educational funds ~~shall~~ may be invested in first mortgages upon good and improved farm lands within the state (and in no case shall more than fifty percent (50%) of the reasonable value of the lands, without improvements, be loaned upon any tract).

2. Said funds may also be invested in Oklahoma state bonds, county bonds of the counties of this state, United States bonds, and bonds issued pursuant to the Oklahoma Student Loan Act, ~~and in~~

~~the investment of funds preference shall be given to such securities in the order named.~~

3. The said funds may also be invested in deposits in trust companies or financial institutions situated in Oklahoma to the extent such deposits are insured by the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), or the National Credit Union Administration (NCUA).

4. Provided, that sufficient monies shall be kept on hand at all times by the Commissioners of the Land Office to close all approved applications for first mortgage loans, as may be approved from time to time by the Commissioners of the Land Office; provided, further, that no bond investment shall be made until the Attorney General of the State of Oklahoma gives his opinion in writing that such proposed investment is within the legal authority of the Commissioners of the Land Office, and that such bonds as the Commission may propose to purchase are valid. The passage by the people of House Joint Resolution No. 1028 of the 2nd Session of the 44th Oklahoma Legislature, a constitutional amendment implementing subsection B of this section, shall not invalidate this section.

B. 1. This subsection shall become effective upon passage by the people of House Joint Resolution No. 1028 of the 2nd Session of the 44th Oklahoma Legislature, a constitutional amendment implementing the provisions of this subsection.

2. The Commissioners of the Land Office shall be responsible for the investment of the permanent school funds, other educational funds and public building funds solely in the best interests of the beneficiaries. The Commissioners of the Land Office shall make such investments:

- a. for the exclusive purpose of:
 - (1) providing maximum benefits to current and future beneficiaries, and
 - (2) defraying reasonable expenses of administering the trust funds,
- b. with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent

person acting in a like enterprise of a like character and with like aims would use, and
c. by diversifying the investments of the trust funds so as to minimize the risk of large losses.

3. No investment of the permanent common school and other educational fund shall be made in indebtedness or currency of any foreign country or in securities issued by any corporation which is domiciled outside of the United States of America.

4. The Commissioners shall also serve as the investment committee and as such shall determine the allocation of assets.

5. The Commissioners shall establish an investment committee. The investment committee shall be composed of not more than three (3) members of the Commissioners of the Land Office or their designee. The committee shall make recommendations to the Commissioners of the Land Office on all matters related to the choice of managers of the assets of the funds, on the establishment of investment and fund management guidelines, and in planning future investment policy. The committee shall have no authority to act on behalf of the Commissioners of the Land Office in any circumstances whatsoever. No recommendations of the committee shall have effect as an action of the Commissioners of the Land Office nor take effect without the approval of the Commissioners as provided by law. The Commissioners shall promulgate and adopt on an annual basis an investment plan. The investment plan shall state the criteria for selecting investment managers, the allocation of assets among investment managers, and established standards of investment and fund management.

6. The Commissioners may retain a qualified investment advisor to serve at the pleasure of the Commissioners. Not less than once every two (2) years, the investment advisor shall be chosen by a solicitation of proposals on a competitive bid basis pursuant to standards set by the Commissioners. The investment advisor shall assist the investment committee and the Commissioners in the preparation of the investment plan, assist the Commissioners in the selection and evaluation of investment managers, evaluate the performance of the various investments of

the permanent school funds and other educational funds, and perform other financial advisory duties as directed by the Commissioners.

7. The Commissioners shall take such measures as they deem appropriate to safeguard custody of securities and other assets of the Trusts.

8. By October 1, 1995, and August 1 of each year thereafter, the Commissioners shall develop a written investment plan for the trust funds.

9. The Commissioners shall compile a quarterly financial report showing the performance of all the combined funds under their control on a fiscal year basis. The report shall be based on market values and shall be compiled pursuant to uniform reporting standards prescribed by the Oklahoma State Pension Commission for all state retirement systems. The report shall be distributed to the Oklahoma State Pension Commission, the Cash Management and Investment Oversight Commission, the Legislative Service Bureau and the Joint Committee on Fiscal Operations.

10. Before October 1 of each year, the Commissioners shall publish an annual report of all Trust operations, presented in a simple and easily understood manner to the extent possible. The report shall be submitted to the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the State Department of Education and each higher education beneficiary. The annual report shall cover the operation of the Trusts during the past fiscal year, including income, disbursements and the financial condition of the Trusts at the end of each fiscal year on a cash basis. The annual report shall also contain a summary of each Trust's assets and current market value as of the report date.

11. The Cash Management and Investment Oversight Commission shall review reports prepared by the Commissioners of the Land of Office pursuant to this subsection and shall make such recommendations regarding the investment strategies and practices, the development of internal auditing procedures and practices and such other matters as determined necessary and applicable.

SECTION 2. This act shall become effective September 1, 1995.

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