

ENROLLED SENATE
BILL NO. 317

By: Smith of the Senate

and

Bastin of the House

An Act relating to counties and county government; amending 19 O.S. 1991, Section 953.1, which relates to certain county employee retirement systems; modifying term regarding requirement to hold funds in a custodian bank; and declaring an emergency.

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

SECTION 1. AMENDATORY 19 O.S. 1991, Section 953.1, is amended to read as follows:

Section 953.1 A. The board of trustees shall discharge their duties with respect to the retirement system solely in the interest of the participants and beneficiaries and:

1. For the exclusive purpose of:

- a. providing benefits to participants and their beneficiaries, and
- b. defraying reasonable expenses of administering the retirement system;

2. With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;

3. By diversifying the investments of the retirement system so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and

4. In accordance with the laws, documents and instruments governing the retirement system.

B. The monies of the retirement system shall be invested only in assets eligible for the investment of funds of legal reserve life insurance companies in this state as provided for in Sections 1602 through 1611, 1613 through 1620, and 1622 through 1624 of Title 36 of the Oklahoma Statutes. The term "admitted assets" shall mean the amount of the monies of the retirement system and the provisions relating to limitation of investments as a percentage of surplus and loans to policyholders shall be inapplicable with respect to investment of the monies of the retirement system. The monies of the retirement system may be invested in certificates of indebtedness or such other enforceable evidences of obligation as may be utilized in the rights-of-way acquisitions by the Oklahoma Department of Transportation. The monies of the retirement system may also be invested in bonds secured by first mortgages, pass-through securities and insured participation certificates representing interests in first mortgages or insured mortgage pass-through certificates on one- to four-family residences located within this state.

C. The board of trustees may procure insurance indemnifying the members of the board of trustees from personal loss or accountability from liability resulting from a member's action or inaction as a member of the board of trustees.

D. The board of trustees may establish an investment committee. The investment committee shall be composed of not more than five (5) members of the board of trustees appointed by the chairman of the board of trustees. The committee shall make recommendations to the full board of trustees on all matters related to the choice of custodians and managers of the assets of the retirement system, 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 board of trustees in any circumstances whatsoever. No recommendation of the committee shall have effect as an action of the board of trustees nor take effect without the approval of the board of trustees as provided by law.

E. The board of trustees may retain qualified investment managers to provide for the investment of the monies of the retirement system. The investment managers shall be chosen by a solicitation of proposals on a competitive bid basis pursuant to standards set by the board of trustees. Subject to the overall investment guidelines set by the board of trustees, the investment managers shall have full discretion in the management of those monies of the retirement system allocated to the investment managers. The board of trustees shall manage those monies not specifically allocated to the investment managers. The monies of the retirement system allocated to the investment managers shall be actively managed by the investment managers, which may include selling investments and realizing losses if such action is considered advantageous to longer term return maximization. Because of the total return objective, no distinction shall be made for management and performance evaluation purposes between realized and unrealized capital gains and losses.

F. Funds and revenues for investment by the investment managers or the board of trustees ~~shall~~ may be placed with a custodian selected by the board of trustees. The custodian shall be a bank or trust company offering pension fund master trustee and master custodial services. The custodian shall be chosen by a solicitation of proposals on a competitive bid basis pursuant to standards set by the board of trustees. In compliance with the investment policy guidelines of the board of trustees, the custodian bank or trust company shall be contractually responsible for ensuring that all monies of the retirement system are invested in income-producing investment vehicles at all times. If a custodian bank or trust company has not received direction from the investment managers of the retirement system as to the investment of the monies of the retirement system in specific investment vehicles, the custodian bank or trust company shall be contractually responsible to the board of trustees for investing the monies in appropriately collateralized short-term interest-bearing investment vehicles.

G. By November 1, 1989, and prior to August 1 of each year thereafter, the board of trustees shall develop a written investment plan for the retirement system.

H. After July 1 and before October 1 of each year, the board of trustees shall publish widely an annual report presented in simple and easily understood language. The report shall be submitted to the board of county commissioners, and to the individual members of the retirement system. The annual report shall cover the operation of the retirement system during the past fiscal year, including income, disbursements, and the financial condition of the retirement

system at the end of the fiscal year. The annual report shall also include several relevant measures of investment value, including acquisition cost and current fair market value with appropriate summaries of total holdings and returns. The report shall contain combined and individual rate of returns of the investment managers by category of investment, over periods of time as well as a summary of the results of the most recent actuarial valuation to include total assets, total liabilities, unfunded liability or over-funded status, contributions and any other information deemed relevant by the board of trustees. The annual report shall be written in such a manner as to permit a readily understandable means for analyzing the financial condition and performance of the retirement system for the fiscal year.

SECTION 2. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

Passed the Senate the 23rd day of February, 1993.

President of the Senate

Passed the House of Representatives the 19th day of April, 1993.

Speaker of the House of Representatives