ENGROSSED SENATE
BILL NO. 658

By: Hendrick of the Senate

and

Morgan of the House

[investments - Oklahoma Uniform Prudent Investor Act

- codification -

effective date]

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

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 175.60 of Title 60, unless there is created a duplication in numbering, reads as follows:

Short Title.

Sections 1 through 13 of this act shall be known and may be cited as the "Oklahoma Uniform Prudent Investor Act".

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 175.61 of Title 60, unless there is created a duplication in numbering, reads as follows:

Prudent Investor Rule.

A. Except as otherwise provided in subsection B of this section, a trustee who invests and manages trust assets owes a duty to the beneficiaries of the trust to comply with the prudent investor rule set forth in the Oklahoma Uniform Prudent Investor Act.

B. The prudent investor rule, a default rule, may be expanded, restricted, eliminated, or otherwise altered by the provisions of a trust. A trustee is not liable to a beneficiary to the extent that

the trustee acted in reasonable reliance on the provisions of the trust.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 175.62 of Title 60, unless there is created a duplication in numbering, reads as follows:

Standard of Care; Portfolio Strategy; Risk and Return Objectives.

A. A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution.

B. A trustee's investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust.

C. Among circumstances that a trustee shall consider in investing and managing trust assets are those of the following as are relevant to the trust or its beneficiaries:

1. General economic conditions;

2. The possible effect of inflation or deflation;

3. The expected tax consequences of investment decisions or strategies;

4. The role that each investment or course of action plays within the overall trust portfolio, which may include financial assets, interests in closely held enterprises, tangible and intangible personal property, and real property;

5. The expected total return from income and the appreciation of capital;

6. Other resources of the beneficiaries;

7. Needs for liquidity, regularity of income, and preservation or appreciation of capital; and

8. An asset's special relationship or special value, if any, to the purposes of the trust or to one or more of the beneficiaries.

D. A trustee shall make a reasonable effort to verify facts relevant to the investment and management of trust assets.

E. A trustee may invest in any kind of property or type of investment consistent with the standards of the Oklahoma Uniform Prudent Investor Act.

F. A trustee who has special skills or expertise, or is named trustee in reliance upon the trustee's representation that the trustee has special skills or expertise, has a duty to use those special skills or expertise.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 175.63 of Title 60, unless there is created a duplication in numbering, reads as follows:

Diversification.

A trustee shall diversify the investments of the trust unless the trustee reasonably determines that, because of special circumstances, the purposes of the trust are better served without diversifying.

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 175.64 of Title 60, unless there is created a duplication in numbering, reads as follows:

Duties at Inception of Trusteeship.

Within a reasonable time after accepting a trusteeship or receiving trust assets, a trustee shall review the trust assets and make and implement decisions concerning the retention and disposition of assets, in order to bring the trust portfolio into compliance with the purposes, terms, distribution requirements, and other circumstances of the trust, and with the requirements of the Oklahoma Uniform Prudent Investor Act.

SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 175.65 of Title 60, unless there is created a duplication in numbering, reads as follows:

Loyalty.

A trustee shall invest and manage the trust assets solely in the interest of the beneficiaries.

SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 175.66 of Title 60, unless there is created a duplication in numbering, reads as follows:

Impartiality.

If a trust has two or more beneficiaries, the trustee shall act impartially in investing and managing the trust assets, taking into account any differing interests of the beneficiaries.

SECTION 8. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 175.67 of Title 60, unless there is created a duplication in numbering, reads as follows:

Investment Costs.

In investing and managing trust assets, a trustee may only incur costs that are appropriate and reasonable in relation to the assets, the purposes of the trust, and the skills of the trustee.

SECTION 9. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 175.68 of Title 60, unless there is created a duplication in numbering, reads as follows:

Reviewing Compliance.

Compliance with the prudent investor rule is determined in light of the facts and circumstances existing at the time of a trustee's decision or action and not by hindsight.

SECTION 10. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 175.69 of Title 60, unless there is created a duplication in numbering, reads as follows:

Delegation of Investment and Management Functions.

A. A trustee may delegate investment and management functions that a prudent trustee of comparable skills could properly delegate under the circumstances. The trustee shall exercise reasonable care, skill, and caution in:

1. Selecting an agent;

2. Establishing the scope and terms of the delegation, consistent with the purposes and terms of the trust; and

3. Periodically reviewing the agent's actions in order to monitor the agent's performance and compliance with the terms of the delegation.

B. In performing a delegated function, an agent owes a duty to the trust to exercise reasonable care to comply with the terms of the delegation.

C. A trustee who complies with the requirements of subsection A of this section is not liable to the beneficiaries or to the trust for the decisions or actions of the agent to whom the function was delegated.

D. By accepting the delegation of a trust function from the trustee of a trust that is subject to the law of this state, an agent submits to the jurisdiction of the courts of this state.

SECTION 11. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 175.70 of Title 60, unless there is created a duplication in numbering, reads as follows:

Language Invoking Standard of the Oklahoma Uniform Prudent Investor Act.

The following terms or comparable language in the provisions of a trust, unless otherwise limited or modified, authorizes any investment or strategy permitted under the Oklahoma Uniform Prudent Investor Act: "Investments permissible by law for investment of trust funds", "legal investments", "authorized investments", "using the judgment and care under the circumstances then prevailing that persons of prudence, discretion, and intelligence exercise in the

management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital", "prudent man rule", "prudent trustee rule", "prudent person rule", and "prudent investor rule".

SECTION 12. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 175.71 of Title 60, unless there is created a duplication in numbering, reads as follows:

Application to Existing Trusts.

The Oklahoma Uniform Prudent Investor Act applies to trusts existing on and created after its effective date. As applied to trusts existing on its effective date, this act governs only decisions or actions occurring after that date.

SECTION 13. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 175.72 of Title 60, unless there is created a duplication in numbering, reads as follows:

Uniformity of Application and Construction.

The Oklahoma Uniform Prudent Investor Act shall be applied and construed to effectuate its general purpose to make uniform the law with respect to the subject of this act among the states enacting it.

SECTION 14. This act shall become effective November 1, 1995.

Passed the Senate the 8th day of March, 1995.

President of the Senate

Passed the House of Representatives the ____ day of _____, 1995.

Speaker of the House of Representatives