

STATE OF OKLAHOMA

2nd Session of the 47th Legislature (2000)

COMMITTEE SUBSTITUTE  
FOR ENGROSSED  
SENATE BILL NO. 1404

By: Taylor, Leftwich and  
Monson of the Senate

and

Benson and Askins of the  
House

COMMITTEE SUBSTITUTE

( Public finance - Tobacco Settlement Endowment Trust  
Fund - providing for deposits -  
emergency )

SECTION 1. NEW LAW A new section of law to be codified  
in the Oklahoma Statutes as Section 280 of Title 62, unless there is  
created a duplication in numbering, reads as follows:

A. There is hereby created a trust fund to be known as the  
"Tobacco Settlement Endowment Trust Fund". The Trust Fund shall  
consist of \_\_\_\_\_ percent (\_\_\_\_%) of the monies which are  
received by the State of Oklahoma on or after the effective date of  
this act pursuant to any settlement with or judgment against any  
tobacco company or companies. Notwithstanding other provisions of  
law, income and investment return on monies in the Trust Fund shall  
accrue to the Trust Fund.

B. There is hereby established a Board of Directors of the  
Trust Fund. The Board of Directors shall consist of seven (7)  
members, one appointed by each of the following appointing  
authorities:

1. The Governor;
2. The President Pro Tempore of the Senate;
3. The Speaker of the House of Representatives;

4. The Attorney General;
5. The State Treasurer;
6. The State Auditor and Inspector; and
7. The State Superintendent of Public Instruction.

At least one appointee shall be appointed from each congressional district, and not more than two appointees shall be appointed from any single congressional district. Not more than four appointees shall be members of the same political party. Appointees shall have demonstrated expertise in public or private finance, management of investment funds, health care or programs relating to or for the benefit of children.

C. The Directors shall receive no salary for serving on the Board. All Directors shall receive necessary travel expenses in accordance with the provisions of the State Travel Reimbursement Act from funds of the Trust Fund.

D. The Board of Directors shall meet at least one time each calendar quarter.

E. The Board of Directors shall have the duties of serving as trustees with respect to investment of monies in the Trust Fund and of reviewing proposals and making recommendations to the Legislature regarding the expenditure of investment income accruing to the Trust Fund. The Board of Directors may request the assistance of the State Treasurer as it deems necessary to carry out its duties and the State Treasurer shall provide any necessary staff support to the Board of Directors. The cost of up to one full-time-equivalent employee of the Office of the State Treasurer may be considered as an administrative expense of the Trust Fund.

F. The Directors shall discharge their duties as with respect to investment of monies in the Trust Fund:

1. 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;

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

3. In accordance with the provisions of this act and all other applicable laws.

G. The Board of Directors shall retain qualified investment managers to provide for the investment of the monies of the Trust Fund. The investment managers shall be chosen by a solicitation of proposals on a competitive bid basis pursuant to standards set by the Board of Directors. The investment managers shall have full discretion in the management of those monies of the Trust Fund allocated to the investment managers, subject to the overall investment guidelines set by the Board of Directors. The monies of the Trust Fund allocated to the investment managers shall be actively managed by the investment managers. The investment managers may sell investments and realize 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. The State Treasurer shall, at the direction of the Board of Directors, manage those monies not specifically allocated to the investment managers.

H. Monies to be invested by the investment managers or the State Treasurer shall be placed with a custodian selected by the Board of Directors. 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 basis pursuant to standards set by the Board of Directors.

I. The Board of Directors shall choose the custodians and managers of the assets of the Trust Fund, shall establish investment and fund management guidelines and shall adopt an investment policy. The selection of investment managers and a custodian bank shall be exempt from the provisions of the Oklahoma Central Purchasing Act.

J. Not later than February 1 of each year, the Board of Directors shall determine the amount of investment income of the Trust Fund for the preceding calendar year. Such amount, less the amount of administrative expenses incurred by the Board of Directors for the preceding calendar year, shall be available for appropriation by the Legislature. The Board of Directors shall cause any amount of monies appropriated from the Trust Fund to be transferred to the State Treasurer for disbursement as and in the manner provided by law for the disbursement of other appropriations. Such appropriations shall be limited to appropriations for:

1. Youth smoking prevention and cessation programs;
2. Health care for children and the elderly;
3. Children's services, including, but not limited to early childhood education programs, before and after school care and youth substance abuse prevention and treatment programs; and
4. Such other programs as may be deemed necessary by the Legislature.

In making appropriations pursuant to the provisions of this subsection, the Legislature shall give due consideration to programs for which public or private matching funds are available.

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.

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