

ENGROSSED HOUSE
BILL NO. 1067

By: Roberts of the House

and

Wilkerson of the Senate

An Act relating to public retirement systems; amending 74 O.S. 2001, Section 942, as amended by Section 2, Chapter 391, O.S.L. 2002 (74 O.S. Supp. 2002, Section 942), which relates to the Oklahoma State Pension Commission; deleting provision related to review of legislation and related duties; and declaring an emergency.

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

SECTION 1. AMENDATORY 74 O.S. 2001, Section 942, as amended by Section 2, Chapter 391, O.S.L. 2002 (74 O.S. Supp. 2002, Section 942), is amended to read as follows:

Section 942. A. The Oklahoma State Pension Commission shall:

1. Publish, on a quarterly basis, a performance report analyzing the performance of the Oklahoma Firefighters Pension and Retirement System, the Oklahoma Police Pension and Retirement System, the Uniform Retirement System for Justices and Judges, the Oklahoma Law Enforcement Retirement System, the Teachers' Retirement System of Oklahoma, the Oklahoma Public Employees Retirement System and the retirement plan adopted by the Wildlife Conservation Commission on an individual and consolidated basis. The Commission shall establish a format for use by each of the state retirement systems in submitting the information requested by the Commission for the report. The report shall contain:

- a. combined and individual rates of return of the investment managers by category of investment, over periods of time,

- b. the data obtained pursuant to subparagraph a of this paragraph compared with similar data for a larger population of investment managers by asset class as well as by style of management,
- c. an analysis of the performance of the custodian bank or trust company of the System including, but not limited to, a specific review of the adequacy of the collateralization of the short-term interest-bearing investment vehicles placed by the custodian, and
- d. any other information that the Commission may include;

2. Publish widely an annual comparative performance report in simple and easily understood language containing:

- a. on an individual and consolidated basis, an analysis of the written investment plans developed by each retirement system as required by law,
- b. a qualitative and quantitative analysis of the performance of the custodian employed by each governing body of the retirement systems specified in paragraph 1 of this subsection and the performance of the Office of the State Treasurer with regard to retirement system monies,
- c. the result of the analyses prepared pursuant to subparagraphs a and b of this paragraph compared with similar data for a larger population,
- d. recommendations on administrative and legislative changes which are necessary to improve the performance of the retirement systems in accordance with current standards for large public fund portfolio management,
- e. 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 Commission. The results shall be determined using the standards prescribed by the Government Accounting Standards Board or any successor entity, and

- f. a listing by category of the expenses of the Commission;

~~3. Review proposed legislation affecting any of the retirement systems identified in paragraph 1 of this subsection and make recommendations to the relevant standing committees, subcommittees, special committees or Representatives and the State Senate regarding such legislation;~~

~~4.~~ Make recommendations to the Governor, the Speaker of the House of Representatives and the President Pro Tempore of the State Senate, based upon the advice of pension consultants, for updating or standardizing retirement system benefit designs; and

~~5.~~ 4. Make recommendations to the Governor, the Speaker of the House of Representatives and the President Pro Tempore of the State Senate regarding the methods for the adequate financing of benefits authorized or required by law for performance of service upon behalf of employers participating in any of the retirement systems administered by the entities identified in paragraph 1 of this subsection, including, but not limited to, recommendations regarding the use of dedicated tax or other revenue sources or the modification of such tax or other revenue sources to provide additional funding to retirement systems the actuarial condition of which would benefit from such sources.

B. The Commission shall distribute its reports and recommendations, including a summary of the information provided to the Commission pursuant to subsection E of this section, to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives and the chairman and vice-chairman of the Joint Committee on Fiscal Operations. The Commission shall make

the reports widely available to the members of the Legislature, members of the retirement systems and the general public.

C. The Commission shall hire one or more pension fund management consultants to assist the Commission in accomplishing its objectives specified in subsection A of this section. Consultants shall be chosen by a solicitation of proposals on a competitive bid basis pursuant to standards set by the Commission. A consultant:

1. Shall be experienced in providing unbiased third-party consulting services;

2. Shall have in its client base individual clients that are comparable in size to the combined total assets of the retirement systems specified in paragraph 1 of subsection A of this section; and

3. Shall not be under contract with any of the individual governing bodies of the various state retirement systems.

D. For purposes of this subsection, pension fund management consultants hired by the Commission are hereby considered fiduciaries of the state retirement systems.

1. A fiduciary with respect to the state retirement systems shall not cause or advise a retirement system to engage in a transaction if the fiduciary knows or should know that such transaction constitutes a direct or indirect:

- a. sale or exchange, or leasing of any property from a retirement system to a party in interest for less than adequate consideration or from a party in interest to a retirement system for more than adequate consideration,
- b. lending of money or other extension of credit from a retirement system to a party in interest without the receipt of adequate security and a reasonable rate of interest, or from a party in interest to a retirement

system with provision of excessive security or an unreasonably high rate of interest,

- c. furnishing of goods, services or facilities from a retirement system to a party in interest for less than adequate consideration, or from a party in interest to a retirement system for more than adequate consideration, or
- d. transfer to, or use by or for the benefit of, a party in interest of any assets of a retirement system for less than adequate consideration.

2. A fiduciary with respect to the state retirement systems shall not:

- a. deal with the assets of a retirement system in the fiduciary's own interest or for the fiduciary's own account,
- b. in the fiduciary's individual or any other capacity act in any transaction involving a retirement system on behalf of a party whose interests are adverse to the interests of a retirement system or the interests of its participants or beneficiaries, or
- c. receive any consideration for the fiduciary's own personal account from any party dealing with a retirement system in connection with a transaction involving the assets of a retirement system.

E. In order to standardize the information and analysis of the financial condition of each of the retirement systems, the Board of Trustees of each retirement system making annual reports to the Commission as required by law shall provide information regarding the financial and actuarial condition of the System using assumptions or requirements as hereinafter required for the report stating the condition of the System as of July 1, 2002, and for each subsequent reporting date, which information shall be contained in

an appendix or addendum to the annual report. For purposes other than the reporting requirements contained in the appendix or addendum, all actuarial and economic assumptions shall be those assumptions adopted by the respective retirement system in its annual actuarial valuation. The appendix or addendum shall contain a statement of the financial condition of the retirement system:

1. Using an assumed rate of return of seven and one-half percent (7.5%), net of investment expenses, per annum, compounded annually;

2. Using an actuarial assumption regarding cost-of-living adjustments for the retirement system of two percent (2%) annually;

3. That relies upon the use of appropriate preretirement, postretirement and disability retirement information using generational projections taken from the RP-2000 Mortality Tables, published by the Society of Actuaries;

4. Which accurately and completely summarizes all sources of system assets, other than employee contributions, which shall include, but not be limited to, the total of all employer contributions, any dedicated tax or fee revenue, of whatever kind or however denominated, and the total amount of any other source of revenue which accrues to the retirement system, other than return on investments, such as federal monies used for the purpose of making employer contributions; and

5. Using an assumption that the unfunded actuarial accrued liabilities of the retirement system are amortized over a period of thirty (30) years, in a manner consistent with the Governmental Accounting Standards Board Statement Number 25.

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 House of Representatives the 11th day of March, 2003.

Presiding Officer of the House of
Representatives

Passed the Senate the ____ day of _____, 2003.

Presiding Officer of the Senate