

EHB 1067

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THE STATE SENATE
Thursday, March 27, 2003

ENGROSSED

House Bill No. 1067

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

1 systems in submitting the information requested by the Commission
2 for the report. The report shall contain:

- 3 a. combined and individual rates of return of the
4 investment managers by category of investment, over
5 periods of time,
- 6 b. the data obtained pursuant to subparagraph a of this
7 paragraph compared with similar data for a larger
8 population of investment managers by asset class as
9 well as by style of management,
- 10 c. an analysis of the performance of the custodian bank
11 or trust company of the System including, but not
12 limited to, a specific review of the adequacy of the
13 collateralization of the short-term interest-bearing
14 investment vehicles placed by the custodian, and
- 15 d. any other information that the Commission may include;

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

- 18 a. on an individual and consolidated basis, an analysis
19 of the written investment plans developed by each
20 retirement system as required by law,
- 21 b. a qualitative and quantitative analysis of the
22 performance of the custodian employed by each
23 governing body of the retirement systems specified in

1 paragraph 1 of this subsection and the performance of
2 the Office of the State Treasurer with regard to
3 retirement system monies,
4 c. the result of the analyses prepared pursuant to
5 subparagraphs a and b of this paragraph compared with
6 similar data for a larger population,
7 d. recommendations on administrative and legislative
8 changes which are necessary to improve the performance
9 of the retirement systems in accordance with current
10 standards for large public fund portfolio management,
11 e. a summary of the results of the most recent actuarial
12 valuation to include total assets, total liabilities,
13 unfunded liability or over funded status,
14 contributions and any other information deemed
15 relevant by the Commission. The results shall be
16 determined using the standards prescribed by the
17 Government Accounting Standards Board or any successor
18 entity, and
19 f. a listing by category of the expenses of the
20 Commission;

21 ~~3. Review proposed legislation affecting any of the retirement~~
22 ~~systems identified in paragraph 1 of this subsection and make~~
23 ~~recommendations to the relevant standing committees, subcommittees,~~

1 ~~special committees or Representatives and the State Senate regarding~~
2 ~~such legislation;~~

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

7 ~~5.~~ 4. Make recommendations to the Governor, the Speaker of the
8 House of Representatives and the President Pro Tempore of the State
9 Senate regarding the methods for the adequate financing of benefits
10 authorized or required by law for performance of service upon behalf
11 of employers participating in any of the retirement systems
12 administered by the entities identified in paragraph 1 of this
13 subsection, including, but not limited to, recommendations regarding
14 the use of dedicated tax or other revenue sources or the
15 modification of such tax or other revenue sources to provide
16 additional funding to retirement systems the actuarial condition of
17 which would benefit from such sources.

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

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

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

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

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

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

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

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

- 1 a. sale or exchange, or leasing of any property from a
2 retirement system to a party in interest for less than
3 adequate consideration or from a party in interest to
4 a retirement system for more than adequate
5 consideration,
6 b. lending of money or other extension of credit from a
7 retirement system to a party in interest without the
8 receipt of adequate security and a reasonable rate of
9 interest, or from a party in interest to a retirement
10 system with provision of excessive security or an
11 unreasonably high rate of interest,
12 c. furnishing of goods, services or facilities from a
13 retirement system to a party in interest for less than
14 adequate consideration, or from a party in interest to
15 a retirement system for more than adequate
16 consideration, or
17 d. transfer to, or use by or for the benefit of, a party
18 in interest of any assets of a retirement system for
19 less than adequate consideration.

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

- 1 a. deal with the assets of a retirement system in the
- 2 fiduciary's own interest or for the fiduciary's own
- 3 account,
- 4 b. in the fiduciary's individual or any other capacity
- 5 act in any transaction involving a retirement system
- 6 on behalf of a party whose interests are adverse to
- 7 the interests of a retirement system or the interests
- 8 of its participants or beneficiaries, or
- 9 c. receive any consideration for the fiduciary's own
- 10 personal account from any party dealing with a
- 11 retirement system in connection with a transaction
- 12 involving the assets of a retirement system.

13 E. In order to standardize the information and analysis of the

14 financial condition of each of the retirement systems, the Board of

15 Trustees of each retirement system making annual reports to the

16 Commission as required by law shall provide information regarding

17 the financial and actuarial condition of the System using

18 assumptions or requirements as hereinafter required for the report

19 stating the condition of the System as of July 1, 2002, and for each

20 subsequent reporting date, which information shall be contained in

21 an appendix or addendum to the annual report. For purposes other

22 than the reporting requirements contained in the appendix or

23 addendum, all actuarial and economic assumptions shall be those

1 assumptions adopted by the respective retirement system in its
2 annual actuarial valuation. The appendix or addendum shall contain
3 a statement of the financial condition of the retirement system:

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

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

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

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

21 5. Using an assumption that the unfunded actuarial accrued
22 liabilities of the retirement system are amortized over a period of

1 thirty (30) years, in a manner consistent with the Governmental
2 Accounting Standards Board Statement Number 25.

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

7 COMMITTEE REPORT BY: COMMITTEE ON RETIREMENT & GROUP HEALTH, dated
8 3-25-03 - DO PASS.