

ENGROSSED SENATE
BILL NO. 1894

By: Mazzei, Jolley, Johnson
(Mike) and Hobson of the
Senate

and

Benge of the House

[retirement - Oklahoma Pension Legislation Actuarial
Analysis Act - elimination of certain reporting
requirements - codification - effective date -
emergency]

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 3101 of Title 62, unless there
is created a duplication in numbering, reads as follows:

Sections 1 through 15 of this act shall be known and may be
cited as the "Oklahoma Pension Legislation Actuarial Analysis Act".

SECTION 2. NEW LAW A new section of law to be codified
in the Oklahoma Statutes as Section 3102 of Title 62, unless there
is created a duplication in numbering, reads as follows:

The provisions of the Oklahoma Pension Legislation Actuarial
Analysis Act shall be applicable to legislation affecting the
Teachers' Retirement System of Oklahoma, the Oklahoma Public
Employees Retirement System, or the Uniform Retirement System for
Justices and Judges or to any new retirement system established by
law not in existence as of the effective date of this act.

SECTION 3. NEW LAW A new section of law to be codified
in the Oklahoma Statutes as Section 3103 of Title 62, unless there
is created a duplication in numbering, reads as follows:

As used in the Oklahoma Pension Legislation Actuarial Analysis
Act:

1. "Amendment" means any amendment, including a substitute bill, made to a retirement bill by any committee of the House or Senate or by the House or Senate;

2. "RB number" means that number preceded by the letters "RB" assigned to a bill by the respective staffs of the Oklahoma State Senate and the Oklahoma State House of Representatives when the respective staff office prepares a bill for a member of the Legislature;

3. "Legislative Actuary" means the firm or entity that enters into a contract with the Legislative Service Bureau pursuant to Section 15 of the Oklahoma Pension Legislation Actuarial Analysis Act to provide the actuarial services and other duties provided for in the Oklahoma Pension Legislation Actuarial Analysis Act;

4. "Nonfiscal amendment" means an amendment to a retirement bill having a fiscal impact, which amendment does not change any factor of an actuarial investigation specified in subsection A of Section 9 of the Oklahoma Pension Legislation Actuarial Analysis Act;

5. "Nonfiscal retirement bill" means a retirement bill which does not affect the cost or funding factors of a retirement system or a retirement bill which affects such factors only in a manner which does not:

- a. grant a benefit increase under the retirement system affected by the bill except for cost-of-living adjustments provided to retirees of the retirement system, which shall not exceed the annual actuarial assumption of a cost-of-living adjustment of an existing retirement system as of December 31, 2005, or which shall not exceed two percent (2%) annually for a retirement system created on or after January 1, 2006, which bill shall specifically identify such cost-of-living increase,

- b. create an actuarial accrued liability for or increase the actuarial accrued liability of the retirement system affected by the bill, or
- c. increase the normal cost of the retirement system affected by the bill.

6. "Nonfiscal retirement bill" also means a retirement bill which removes or increases a mandatory retirement age of a retirement system or which removes or modifies provisions of a retirement system requiring forfeiture of benefits upon failure to retire upon reaching a mandatory retirement age or which provides for any combination of the foregoing;

7. "Reduction in cost amendment" means an amendment to a retirement bill having a fiscal impact which reduces the cost of the bill as such cost is determined by the actuarial investigation for the bill prepared pursuant to Section 9 of the Oklahoma Pension Legislation Actuarial Analysis Act;

8. "Retirement bill" means any bill or joint resolution introduced by a member of the Oklahoma Legislature which creates or amends any law directly affecting a retirement system. A retirement bill shall not mean a bill or resolution that impacts the revenue of any state tax in which a portion of the revenue generated from such tax is earmarked for the benefit of a retirement system;

9. "Retirement bill having a fiscal impact" means any retirement bill creating or establishing a retirement system and any other retirement bill other than a nonfiscal retirement bill; and

10. "Retirement system" means the Teachers' Retirement System of Oklahoma, the Oklahoma Public Employees Retirement System, the Uniform Retirement System for Justices and Judges, or a retirement system established after January 1, 2006.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3104 of Title 62, unless there is created a duplication in numbering, reads as follows:

No retirement bill may be introduced by any member of the Legislature unless, at the time of its introduction, the bill has printed thereon in the upper right portion of each page of the bill an RB number. Once a retirement bill is presented to the Legislative Actuary, neither the applicable staff nor any person shall make any change in the retirement bill prior to its introduction into the Legislature unless the bill is returned to the applicable staff office and that office assigns a new RB number to the bill.

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3105 of Title 62, unless there is created a duplication in numbering, reads as follows:

As a condition precedent to the introduction of any retirement bill, the member of the Legislature who intends to be the primary author of the bill must present an exact copy of the proposed bill, which must bear an RB number, to the Legislative Actuary. The Legislative Actuary shall determine whether the proposed bill is a retirement bill having a fiscal impact or a nonfiscal retirement bill and provide a written certification of that determination to the member of the Legislature who intends to be the primary author of the bill. Such certification shall specifically identify the proposed bill by reference to the RB number. If the proposed bill is introduced into the Legislature, it shall have attached thereto the original of the certification of the Legislative Actuary. If the RB number on the bill as offered for introduction is different from the RB number shown on the certification of the Legislative Actuary or if the bill as offered for introduction does not bear an RB number on each page of the bill, the bill may not be accepted for introduction by the Secretary of the Senate or the Clerk of the House of Representatives, and the bill may not be considered by any committee of the House of Representatives or the Senate or by the House of Representatives or the Senate. If the bill is certified as

a retirement bill having a fiscal impact, its introduction shall also be limited by the provisions of subsection A of Section 7 of the Oklahoma Pension Legislation Actuarial Analysis Act.

SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3106 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. A nonfiscal retirement bill may be introduced at any time according to the applicable deadlines established by the House of Representatives or Senate in any regular session of the Legislature. After its introduction into the Legislature, a nonfiscal retirement bill may not be amended in any manner to cause the bill to become a retirement bill having a fiscal impact. Any amendment to such a bill shall be submitted to the Legislative Actuary by the chair of the committee, if a committee amendment, or by the presiding officer of the Senate or House of Representatives if the amendment was made by the Senate or the House of Representatives. If the Legislative Actuary certifies in writing that the amendment does not cause the bill to become a retirement bill having a fiscal impact, the bill, as amended, may continue in the legislative process as any other bill. If the Legislative Actuary will not issue such a certification for the amendment, the progress of the bill in the legislative process will end, and the bill shall not be considered further by either the House of Representatives or the Senate.

B. An amendment to a nonfiscal retirement bill which is prohibited by subsection A of this section may be withdrawn by the committee which made the amendment, if a committee amendment, or by the Senate, if that body made the amendment, or by the House of Representatives, if that body made the amendment. If the amendment is withdrawn, the bill may continue in the legislative process as any other bill, unless it is subsequently amended, and, in that event, the provisions of this section shall apply to the subsequent amendment.

C. A nonfiscal retirement bill which is not amended during the legislative process may be considered as any other bill.

SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3107 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. 1. Any retirement bill having a fiscal impact may be introduced in any odd-numbered year during the regular session. Any such retirement bill may be passed by the Legislature only during an even-numbered year of the regular session.

2. Notwithstanding the provisions of paragraph 1 of this subsection, any retirement bill having a fiscal impact may be introduced, considered and enacted in any year of a regular session of the Legislature if such retirement bill is introduced solely for the purpose of an unforeseen or emergency situation that needs to be addressed immediately. Such retirement bill shall only be considered if three-fourths (3/4) of the membership of each House votes to allow the retirement bill to be considered. Such retirement bill shall be subject to an actuarial investigation by the Legislature Actuary in the year the bill is introduced and considered and shall require concurrent funding, if applicable.

B. When a retirement bill having a fiscal impact is introduced, it shall be assigned to the respective Senate or House of Representatives standing committee or subcommittee that is primarily responsible for the consideration of retirement legislation. If a majority of the total membership of such committee is opposed to the bill on its merits, no actuarial investigation provided for in Section 9 of the Oklahoma Pension Legislation Actuarial Analysis Act shall be necessary, and the bill shall not be reported out by the committee and shall not be adopted or considered by the House of Representatives or the Senate. If a majority of the committee wishes to consider the bill further and votes in favor of an actuarial investigation of the bill, an actuarial investigation

shall be required as provided in Section 9 of the Oklahoma Pension Legislation Actuarial Analysis Act. Except as otherwise provided by subsection C of this section, no retirement bill having a fiscal impact may be reported out of the committee to which it is assigned or may be considered or adopted by the House of Representatives or the Senate unless an actuarial investigation of the bill is made.

C. The committee to which a retirement bill having a fiscal impact is assigned following its introduction may amend the bill to become a nonfiscal retirement bill. If the bill is so amended, an exact copy of the amended version shall be submitted by the chair of the committee to the Legislative Actuary. If the Legislative Actuary issues a written certification that the committee amendment has converted the status of the bill to a nonfiscal retirement bill, the bill shall be a nonfiscal retirement bill for all purposes under the provisions of this act as of the date of the certification of the Legislative Actuary. Only the committee to which a retirement bill having a fiscal impact is originally assigned following its introduction may convert the bill to a nonfiscal retirement bill as authorized in this subsection.

SECTION 8. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3108 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. A retirement bill having a fiscal impact which the committee wishes to consider shall first be perfected, if necessary, by the committee. If a retirement bill having a fiscal impact is changed by the committee to which it is assigned, such change shall be accomplished only by a substitute bill, and no committee amendment to the bill, except by substitute, shall be authorized.

B. Immediately after a retirement bill having a fiscal impact has been considered and perfected as provided in subsection A of this section, the chair of the committee to which the bill was assigned shall transmit an exact copy of the bill, as perfected by

the committee, when applicable, to the Legislative Actuary. The copy submitted to the Legislative Actuary shall bear an RB number. The submission of the bill to the Legislative Actuary shall have attached thereto a letter signed by the chair of the committee requesting the Legislative Actuary to make or cause to be made an actuarial investigation on the bill.

SECTION 9. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3109 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. If an actuarial investigation of a retirement bill having a fiscal impact is requested under Section 8 of the Oklahoma Pension Legislation Actuarial Analysis Act, it shall be the duty of the Legislative Actuary to complete or cause to be completed such actuarial investigation by not later than November 1 of the same year during which the request for the actuarial investigation was made. The actuarial investigation shall include, but shall not be limited to, findings on the following factors as such factors are relevant to the retirement bill under consideration:

1. The dollar amount of the unfunded actuarial accrued liability which will result from the bill for the retirement system affected by the bill;

2. The dollar amount of the annual normal cost which will result from the bill for the retirement system affected by the bill;

3. A statement of the employer contribution rate currently in effect for the retirement system affected by the bill;

4. A statement of the employer contribution rate recommended for the retirement system affected by the bill; and

5. A statement of the dollar amount of the increase in the annual employer contribution, if an existing retirement system is affected by the bill, or a statement of the total annual employer contribution, if a new retirement system is established by the bill, which will be necessary to maintain the retirement system affected

or established by the bill in an actuarially sound condition thereby creating no increase in unfunded liability as defined by the most recent actuarial evaluation of an existing system.

B. By not later than November 1 of the same year that the request for an actuarial investigation was made, the completed actuarial investigation shall be submitted by the Legislative Actuary to the chair of the committee who requested it along with a summary of the actuarial investigation which shall include the relevant findings specified in subsection A of this section.

C. The chair of the committee, upon receipt of the information provided for under subsection B of this section, shall cause the summary of the actuarial investigation to be printed by the Secretary of the Senate or the Clerk of the House of Representatives, depending on whether the bill is a Senate bill or House bill, in sufficient quantity to attach a copy thereof to all printed copies of the bill. The original summary of the actuarial investigation shall be attached by the Secretary of the Senate or a Clerk of the House of Representatives to the original version of the substitute bill, as perfected by the committee under Section 8 of the Oklahoma Pension Legislation Actuarial Analysis Act, if applicable, or to the original version of the bill as introduced if the bill was not changed by the committee prior to its submission to the Legislative Actuary for an actuarial investigation.

SECTION 10. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3110 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. When a retirement bill having a fiscal impact has had an actuarial investigation pursuant to Section 9 of the Oklahoma Pension Legislation Actuarial Analysis Act, the bill may be considered at the next regular session of the Legislature. If the bill as originally introduced was not changed by the committee and the original version was submitted to the Legislative Actuary for an

actuarial investigation, then the original version of the bill is the only one, except as otherwise provided by subsection B of this section, which may be considered by any committee or by the House of Representatives or the Senate. If the original bill was substituted by the committee and the substitute version was the one submitted to the Legislative Actuary, then that substitute bill is the only one, except as otherwise provided by subsection B of this section, which may be considered by any committee or by the House of Representatives or the Senate.

B. After completion of an actuarial investigation, any amendment to a retirement bill having a fiscal impact shall be out of order and shall not be allowed either by a committee or by the House of Representatives or the Senate, except for a nonfiscal or a reduction in cost amendment. Any amendment to a retirement bill having a fiscal impact shall be submitted to the Legislative Actuary by the chair of the committee, if a committee amendment, or by the presiding officer of the Senate or the House of Representatives if the amendment was made by the Senate or the House of Representatives. If the Legislative Actuary certifies in writing that the amendment is a nonfiscal amendment or if the amendment results in a reduction in cost and the Legislative Actuary provides an actuarial investigation as required in subsection A of Section 9 of the Oklahoma Pension Legislation Actuarial Analysis Act, then the bill as amended, with the Legislative Actuary's certification or actuarial investigation attached to the original of the amendment, may continue in the legislative process. If the Legislative Actuary will not issue such a certification for the amendment or if there is no actuarial study showing the reduced cost of the amendment, the bill's progress in the legislative process will end, and the bill shall not be considered further by either the House of Representatives or the Senate.

C. An amendment to a retirement bill having a fiscal impact which is prohibited by subsection B of this section may be withdrawn by the committee which made the amendment, if a committee amendment, or by the Senate, if that body made the amendment, or by the House of Representatives, if that body made the amendment. If the amendment is withdrawn, the bill may continue in the legislative process as any other bill, unless it is subsequently amended, and, in that event, this section shall apply to the subsequent amendment.

SECTION 11. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3111 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. Any retirement bill having a fiscal impact which is enacted by the Legislature and which is approved by the Governor or which otherwise becomes law shall become effective on the first day of July immediately following the regular session during which it was enacted, but only if the enacted bill is concurrently funded as provided by this section and only if the bill is approved by a vote of two-thirds (2/3) of all members elected to each House. If an enacted bill does not receive a two-thirds (2/3) vote of all members, the law shall become effective on the first day of September immediately following the regular session during which it was enacted. If an enacted bill, including one approved by the Governor, is not concurrently funded as required by this section, then such bill shall not become effective as law.

B. When a retirement bill having a fiscal impact amends a retirement system having employer contributions funded from appropriations by the Legislature, then appropriations for the first fiscal year of effectiveness of the bill, after it becomes law, must include funds to pay the amount determined by the actuarial investigation under paragraph 5 of subsection A of Section 9 of the Oklahoma Pension Legislation Actuarial Analysis Act, and future appropriations for subsequent fiscal years must include an amount

necessary to maintain the actuarial soundness of the retirement system in accordance with the findings of the actuarial investigation. Any limitation on the rate of employer contributions that may be included in a law which is the source of authority for a retirement system affected by this subsection shall be amended to the extent necessary to comply with the requirements of this subsection.

C. When a retirement bill having a fiscal impact amends a retirement system having employer contributions funded from the designation of the proceeds of a tax imposed by law, then either:

1. The retirement bill having a fiscal impact or parallel legislation, which must become effective concurrently with the retirement bill, must revise the tax as necessary to pay the amount determined under paragraph 5 of subsection A of Section 9 of the Oklahoma Pension Legislation Actuarial Analysis Act; or

2. The Legislature by direct appropriation must supplement employer contributions from the tax to the extent necessary to pay the amount determined under paragraph 5 of subsection A of Section 9 of the Oklahoma Pension Legislation Actuarial Analysis Act.

D. When a retirement bill having a fiscal impact amends a retirement system having employer contributions funded wholly or partially from the funds of a political subdivision, that political subdivision shall have a duty to produce funds as necessary to pay all or its proportionate share of the amount determined by actuarial investigation under paragraph 5 of subsection A of Section 9 of the Oklahoma Pension Legislation Actuarial Analysis Act.

E. When a retirement bill having a fiscal impact creates a new retirement system, then employer contributions in conformity with paragraph 5 of subsection A of Section 9 of the Oklahoma Pension Legislation Actuarial Analysis Act must be made to the retirement system either by direct appropriations by the Legislature or by

another source of employer contributions specifically provided for in the bill creating the new retirement system.

SECTION 12. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3112 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. Following the close of each regular legislative session during which retirement bills having a fiscal impact may be enacted, the State Board of Equalization shall make a determination for each such bill enacted during such session, which is not vetoed by the Governor, of whether or not provision has been made for the concurrent funding of the bill in conformity with the applicable requirements of Section 11 of the Oklahoma Pension Legislation Actuarial Analysis Act.

B. The Director of the Office of State Finance, legislative staff, retirement system administrators, and employers shall provide such information and assistance as may be necessary for the State Board of Equalization to make the determinations required by subsection A of this section.

C. The State Board of Equalization shall make the determinations required by subsection A of this section by not later than the fifteenth day immediately following the last day on which the Governor is authorized to veto bills following the close of each regular legislative session. The State Board of Equalization's findings shall be made in a report to the Secretary of State showing the determination for each retirement bill by reference to the respective Senate or House of Representatives number for the bill. The report shall be submitted to the Secretary of State by not later than the last day on which the State Board of Equalization is required to make the determinations. The Secretary of State shall cause the State Board of Equalization's report to be printed in the annual session laws of the State of Oklahoma.

SECTION 13. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3113 of Title 62, unless there is created a duplication in numbering, reads as follows:

No provision of the Oklahoma Pension Legislation Actuarial Analysis Act generally and no provision of Section 11 of the Oklahoma Pension Legislation Actuarial Analysis Act in particular shall:

1. Create or be construed to create a contractual right to a retirement benefit or a contractual right in the provisions of a retirement system law which does not exist independently of the provisions of the Oklahoma Pension Legislation Actuarial Analysis Act; and

2. Impair, alter, or diminish or be construed to impair, alter, or diminish a contractual right to a retirement benefit or a contractual right in the provisions of a retirement system law which exists independently of the provisions of the Oklahoma Pension Legislation Actuarial Analysis Act.

SECTION 14. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3114 of Title 62, unless there is created a duplication in numbering, reads as follows:

The enrolled act resulting from a bill which is subject to the legislative procedures provided by this act shall have attached thereto the original or a true and correct copy of all certificates and summaries of actuarial investigations submitted by the Legislative Actuary pursuant to the requirements of the Oklahoma Pension Legislation Actuarial Analysis Act.

SECTION 15. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 452.15 of Title 74, unless there is created a duplication in numbering, reads as follows:

A. The Legislative Service Bureau is authorized and directed to enter into a contract with a person or firm for the purposes of performing the services and duties of the Legislative Actuary as

provided for in the Oklahoma Pension Legislation Actuarial Analysis Act.

B. The person or firm who shall perform the duties of the Legislative Actuary shall:

1. Be a member of the American Academy of Actuaries, an Associate or Fellow of the Society of Actuaries or an enrolled actuary; and

2. Have substantially provided actuarial services for large, public retirement systems.

SECTION 16. AMENDATORY 11 O.S. 2001, Section 49-100.9, as amended by Section 3, Chapter 391, O.S.L. 2002 (11 O.S. Supp. 2005, Section 49-100.9), is amended to read as follows:

Section 49-100.9 A. The Oklahoma Firefighters Pension and Retirement Board shall discharge their duties with respect to the 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 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 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 System.

B. The State Board may procure insurance indemnifying the members of the State Board from personal loss or accountability from

liability resulting from a member's action or inaction as a member of the State Board.

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

D. The Board shall retain qualified investment managers to provide for the investment of the monies of the System. The investment managers shall be chosen by a solicitation of proposals on a competitive bid basis pursuant to standards set by the State Board. Subject to the overall investment guidelines set by the State Board, the investment managers shall have full discretion in the management of those monies of the System allocated to the investment managers. The State Board shall manage those monies not specifically allocated to the investment managers. The monies of the 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.

E. Funds and revenues for investment by the investment managers or the State Board shall be placed with a custodian selected by the

State Board. 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 State Board. In compliance with the investment policy guidelines of the State Board, the custodian bank or trust company shall be contractually responsible for ensuring that all monies of the 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 System as to the investment of the monies of the System in specific investment vehicles, the custodian bank or trust company shall be contractually responsible to the State Board for investing the monies in appropriately collateralized short-term interest-bearing investment vehicles.

F. By November 1, 1988, and prior to August 1 of each year thereafter, the State Board shall develop a written investment plan for the System.

G. The State Board shall compile a quarterly financial report of all the funds of the System on a fiscal year basis. The report shall be compiled pursuant to uniform reporting standards prescribed by the Oklahoma State Pension Commission for all state retirement systems. The report shall 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. The State Board shall include in the quarterly reports all commissions, fees or payments for investment services performed on behalf of the State Board. The report shall be distributed to the Governor, the Oklahoma State Pension Commission, the Legislative Service Bureau, the Speaker of the House of Representatives and the President Pro Tempore of the Senate.

H. After July 1 and before October 1 of each year, the State Board shall publish widely an annual report presented in simple and easily understood language pursuant to uniform reporting standards prescribed by the Oklahoma State Pension Commission for all state retirement systems. The report shall be submitted to the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the Oklahoma State Pension Commission and the members of the System. The annual report shall cover the operation of the System during the past fiscal year, including income, disbursements, and the financial condition of the System at the end of the fiscal year. The annual report shall also contain the information issued in the quarterly reports required pursuant to subsection G of this section 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 State Board. 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 System for the fiscal year. ~~In order to standardize the information and analysis of the financial condition of the System, the Board 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 System in its annual actuarial valuation. The appendix or addendum shall contain a statement of the financial condition of the 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 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 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 System are amortized over a period of thirty (30) years, in a manner consistent with the Governmental Accounting Standards Board Statement Number 25.~~

I. Effective July 1, 2000, the State Board is hereby authorized to do all acts and things necessary and proper to carry out the purpose of the System and to make the least costly amendments and changes, if any, as may be necessary to qualify the System under the applicable sections of the Internal Revenue Code of 1986, as amended.

SECTION 17. AMENDATORY 11 O.S. 2001, Section 50-105.4, as last amended by Section 3, Chapter 536, O.S.L. 2004 (11 O.S. Supp. 2005, Section 50-105.4), is amended to read as follows:

Section 50-105.4 A. The Oklahoma Police Pension and Retirement Board shall discharge their duties with respect to the 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 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 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 System.

B. The State Board may procure insurance indemnifying the members of the State Board from personal loss or accountability from liability resulting from a member's action or inaction as a member of the State Board.

C. The State Board may establish an investment committee. The investment committee shall be composed of not more than five (5) members of the State Board appointed by the chairman of the State Board. The committee shall make recommendations to the full State Board on all matters related to the choice of custodians and managers of the assets of the 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 State Board in any circumstances whatsoever. No recommendation of the committee shall have effect as an action of

the State Board nor take effect without the approval of the State Board as provided by law.

D. The State Board shall retain qualified investment managers to provide for the investment of the monies of the System. The investment managers shall be chosen by a solicitation of proposals on a competitive bid basis pursuant to standards set by the State Board unless the State Board deems it necessary and prudent to do otherwise to fulfill its fiduciary responsibility. Subject to the overall investment guidelines set by the State Board, the investment managers shall have full discretion in the management of those monies of the System allocated to the investment managers. The State Board shall manage those monies not specifically allocated to the investment managers. The monies of the 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.

E. Funds and revenues for investment by the investment managers or the State Board shall be placed with a custodian selected by the State Board. 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 State Board. In compliance with the investment policy guidelines of the State Board, the custodian bank or trust company shall be contractually responsible for ensuring that all monies of the 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 System as to the investment of the monies of the System in specific investment vehicles, the custodian bank or

trust company shall be contractually responsible to the State Board for investing the monies in appropriately collateralized short-term interest-bearing investment vehicles.

F. By November 1, 1988, and prior to August 1 of each year thereafter, the State Board shall develop a written investment plan for the System.

G. After July 1 and before November 1 of each year, the State Board shall publish widely an annual report presented in simple and easily understood language pursuant to uniform reporting standards prescribed by the Oklahoma State Pension Commission for all state retirement systems. The report shall be submitted to the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the Oklahoma State Pension Commission and the members of the System. The annual report shall cover the operation of the System during the past fiscal year, including income, disbursements, and the financial condition of the System at the end of the fiscal year. The annual report shall also contain 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 State Board. The annual report shall be written in such a manner as to permit a readily understandable means for analyzing the financial condition and performances of the System for the fiscal year. ~~In order to standardize the information and analysis of the financial condition of the System, the Board 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 System in its annual actuarial valuation. The appendix or addendum shall contain a statement of the financial condition of the 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 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 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 System are amortized over a period of thirty (30) years, in a manner consistent with the Governmental Accounting Standards Board Statement Number 25.~~

H. The State Board shall adopt a cost of living adjustment actuarial assumption in its annual actuarial valuation report.

SECTION 18. AMENDATORY 20 O.S. 2001, Section 1108, as last amended by Section 12, Chapter 536, O.S.L. 2004 (20 O.S. Supp. 2005, Section 1108), is amended to read as follows:

Section 1108. A. The Board of Trustees of the Oklahoma Public Employees Retirement System shall have the responsibility for management of the Uniform Retirement System for Justices and Judges

and the State Judicial Retirement Fund. All benefits payable under The Uniform Retirement System for Justices and Judges, refunds of contributions and overpayments, purchases or investments under the law, and all expenses in connection with the System shall be paid from the Oklahoma Judicial Retirement Fund. The State Judicial Retirement Fund shall be invested and managed in the same manner as now or hereinafter provided by law for the investment and management of funds belonging to the Oklahoma Public Employees Retirement System. The Uniform Retirement System for Justices and Judges shall be an instrumentality of the State of Oklahoma. The System shall be vested with the powers and duties specified in this act and such other powers as may be necessary to enable it, its officers, employees, and agents to carry out fully and effectively the purposes and intent of this act.

1. The Board shall distribute the corpus and income of the System to the members and their beneficiaries in accordance with the System's law. At no time prior to the satisfaction of all liabilities with respect to members and their beneficiaries shall any part of the corpus and income be used for, or diverted to, purposes other than the exclusive benefit of the members and their beneficiaries.

2. The Board may not engage in a transaction prohibited by Section 503(b) of the federal Internal Revenue Code.

3. The Board shall be responsible for the policies and rules for the general administration of the System, subject to the provisions of this act. Except as specifically provided in this act, the Uniform Retirement System for Justices and Judges shall generally be managed in the same manner as now or hereinafter provided by law or by rule for the management of the Oklahoma Public Employees Retirement System.

4. The Board shall establish rules for the administration of the System and for the transaction of its business consistent with

law, which rules shall be promulgated in compliance with the Administrative Procedures Act.

5. The Board may adopt all necessary actuarial tables to be used in the operation of the System as recommended by the actuary and may compile such additional data as may be necessary for required actuarial valuation calculations.

6. All decisions of the Board as to questions of fact shall be final and conclusive on all persons except for the right of review as provided by law and except for fraud or such gross mistake of fact as to have effect equivalent to fraud.

7. Any person who shall knowingly make any false statement, or who shall falsify or permit to be falsified any record necessary for carrying out the intent of this act for the purpose of committing fraud, shall be guilty of a misdemeanor, and upon conviction shall be punished by a fine not exceeding Five Hundred Dollars (\$500.00) or by imprisonment for not exceeding one (1) year. Should any error in any records of the Uniform Retirement System for Justices and Judges result in any member or beneficiary receiving more or less than he or she would have been entitled to receive had the records been correct, the Board shall correct such error, and, as far as practicable, make future payments in such manner that the actuarial equivalent of the benefit to which such member or beneficiary was entitled shall be paid, and to this end, may recover any overpayments.

B. The Board of Trustees of the Oklahoma Public Employees Retirement System shall compile a quarterly financial report of all the funds of the State Judicial Retirement Fund on a fiscal year basis. The report shall be compiled pursuant to uniform reporting standards prescribed by the Oklahoma State Pension Commission for all state retirement systems. The report shall 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. The Board of Trustees shall include in the quarterly reports all commissions, fees or payments for investment services performed on behalf of the Board of Trustees with respect to the State Judicial Retirement Fund. The report shall be distributed to the Governor, the Oklahoma State Pension Commission, the Legislative Service Bureau, the Speaker of the House of Representatives and the President Pro Tempore of the Senate.

C. There is hereby created the Retirement Medical Benefit Fund. The fund shall be maintained as a subaccount of the State Judicial Retirement Fund. The Retirement Medical Benefit Fund is composed of all assets which may be contributed to this subaccount to pay the retirement system's portion of the monthly retiree health insurance premium benefit described by Section 1316.2 of Title 74 of the Oklahoma Statutes. All such allocated assets and any earnings thereon in the Retirement Medical Benefit Fund shall be held for the exclusive purpose of providing retiree medical benefits. The Retirement Medical Benefit Fund is to be administered in accordance with the requirements of Section 401(h) of the Internal Revenue Code of 1986, as amended from time to time. The Board of Trustees may promulgate such rules as are necessary to implement the funding and administration of the fund pursuant to the provisions of this subsection.

D. After July 1 and before December 1 of each year, the Board of Trustees of the Oklahoma Public Employees Retirement System shall publish widely an annual report presented in simple and easily understood language pursuant to uniform reporting standards prescribed by the Oklahoma State Pension Commission for all state retirement systems. The report shall be submitted to the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the Oklahoma State Pension Commission and the

members of the System. The annual report shall cover the operation of the System during the past fiscal year, including income, disbursements, and the financial condition of the System at the end of the fiscal year. The annual report shall also contain the information issued in the quarterly reports required pursuant to subsection B of this section as well as a summary of the results of the most recent actuarial valuation to include total assets, total liabilities, unfunded liability or overfunded 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 System for the fiscal year. ~~In order to standardize the information and analysis of the financial condition of the System, the Board 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 System in its annual actuarial valuation. The appendix or addendum shall contain a statement of the financial condition of the 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 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 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 System are amortized over a period of thirty (30) years, in a manner consistent with the Governmental Accounting Standards Board Statement Number 25.~~

E. The Board shall adopt a cost of living adjustment actuarial assumption in its annual actuarial valuation report.

SECTION 19. AMENDATORY 47 O.S. 2001, Section 2-303.1, as last amended by Section 2, Chapter 142, O.S.L. 2005 (47 O.S. Supp. 2005, Section 2-303.1), is amended to read as follows:

Section 2-303.1 A. The Oklahoma Law Enforcement Retirement Board shall discharge its duties with respect to the 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 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 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 System.

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

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

D. The Board shall retain qualified investment managers to provide for the investment of the monies of the System. The investment managers shall be chosen by a solicitation of proposals on a competitive bid basis pursuant to standards set by the Board. Subject to the overall investment guidelines set by the Board, the investment managers shall have full discretion in the management of those monies of the System allocated to the investment managers. The Board shall manage those monies not specifically allocated to the investment managers. The monies of the 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.

E. All assets of the System shall be held in trust for the exclusive purpose of providing benefits for the members and beneficiaries of the System, including defraying reasonable expenses of administering the System, and shall not be encumbered for or diverted to any other purposes. Funds and revenues for investment by the investment managers or the Board shall be placed with a custodian selected by the Board. 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. In compliance with the investment policy guidelines of the Board, the custodian bank or trust company shall be contractually responsible for ensuring that all monies of the 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 System as to the investment of the monies of the System in specific investment vehicles, the custodian bank or trust company shall be contractually responsible to the Board for investing the monies in appropriately collateralized short-term interest-bearing investment vehicles.

F. Prior to August 1 of each year, the Board shall develop a written investment plan for the System.

G. The Board shall compile a quarterly financial report of all the funds of the System on a fiscal year basis. The report shall be compiled pursuant to uniform reporting standards prescribed by the Oklahoma State Pension Commission for all state retirement systems. The report shall 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. The Board shall include in the quarterly reports all commissions, fees or payments for investment services performed on behalf of the Board. The report shall be distributed to the Governor, the Oklahoma State Pension Commission, the Legislative Service Bureau, the Speaker of the House of Representatives and the President Pro Tempore of the Senate.

H. After July 1 and before October 31 of each year, the Board shall publish widely an annual report presented in simple and easily understood language pursuant to uniform reporting standards prescribed by the Oklahoma State Pension Commission for all state retirement systems. The report shall be submitted to the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the Oklahoma State Pension Commission and the members of the System. The annual report shall cover the operation of the System during the past fiscal year, including income, disbursements, and the financial condition of the System at the end of the fiscal year. The annual report shall also contain the information issued in the quarterly reports required pursuant to subsection G of this section 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. 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 System for the fiscal year. The annual financial statements must be audited and filed in accordance with the requirements set forth for financial statement audits in Section 212A of Title 74 of the Oklahoma Statutes. ~~In order to standardize the information and analysis of the financial condition of the System, the Board 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 System in its annual actuarial valuation. The appendix or addendum shall contain a statement of the financial condition of the 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 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 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 System are amortized over a period of thirty (30) years, in a manner consistent with the Governmental Accounting Standards Board Statement Number 25.~~

I. The Board may retain an attorney licensed to practice law in this state. The attorney shall serve at the pleasure of the Board for such compensation as set by the Board. The Attorney General shall furnish such legal services as may be requested by the Board.

J. All information, documents and copies thereof contained in a member's retirement file shall be given confidential treatment and shall not be made public by the System without the prior written consent of the member to which it pertains, but shall be subject only to court order. Provided, the System, its employees or attorneys, may use such records in defense of any action brought against the System.

K. Effective July 1, 1999, the Board is hereby authorized to do all acts and things necessary and proper to carry out the purpose of the System and to make the least costly amendments and changes, if any, as may be necessary to qualify the System under the applicable sections of the Internal Revenue Code of 1986, as amended.

L. The Board shall adopt a cost of living adjustment actuarial assumption in its annual actuarial valuation report.

M. The Executive Director and such employees of the System as the Executive Director may designate are hereby authorized to prepare certified copies of records of the System and every such certified copy shall be admissible in any proceeding in any court in like manner as the original thereof.

SECTION 20. AMENDATORY 70 O.S. 2001, Section 17-106.1, as last amended by Section 18, Chapter 536, O.S.L. 2004 (70 O.S. Supp. 2005, Section 17-106.1), is amended to read as follows:

Section 17-106.1 A. The Board of Trustees of the Teachers' Retirement System of Oklahoma shall discharge their duties with respect to the 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 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 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 System.

B. 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.

C. 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 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.

D. The Board of Trustees may retain qualified investment managers to provide for the investment of the monies of the 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 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 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.

E. Funds and revenues for investment by the investment managers or the Board of Trustees shall 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 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 System as to the investment of the monies of the 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.

F. By November 1, 1988, and prior to August 1 of each year thereafter, the Board of Trustees shall develop a written investment plan for the System.

G. The Board of Trustees shall compile a quarterly financial report of all the funds of the System on a fiscal year basis. The report shall be compiled pursuant to uniform reporting standards prescribed by the Oklahoma State Pension Commission for all state retirement systems. The report shall 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. The Board of Trustees shall include in the quarterly reports all commissions, fees or payments for investment services performed on behalf of the Board. The report shall be distributed to the Governor, the Oklahoma State Pension Commission, the Legislative Service Bureau, the Speaker of the House of Representatives and the President Pro Tempore of the Senate.

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 pursuant to uniform reporting standards prescribed by the Oklahoma State Pension Commission for all state retirement systems. The report shall be submitted to the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the Oklahoma State Pension Commission and the members of the System. The annual report shall cover the operation of the System during the past fiscal year, including income, disbursements, and the financial condition of the System at the end of the fiscal year. The annual report shall also contain the information issued in the quarterly reports required pursuant to subsection G of this section 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 System for the fiscal year. ~~In order to standardize the information and analysis of the financial condition of the System, the Board 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 System in its annual actuarial valuation. The appendix or addendum shall contain a statement of the financial condition of the 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 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 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 System are amortized over a period of thirty (30) years, in a manner consistent with the Governmental Accounting Standards Board Statement Number 25.~~

I. The Board of Trustees shall adopt a cost of living adjustment actuarial assumption in its annual actuarial valuation report.

SECTION 21. AMENDATORY 74 O.S. 2001, Section 909.1, as last amended by Section 23, Chapter 536, O.S.L. 2004 (74 O.S. Supp. 2005, Section 909.1), is amended to read as follows:

Section 909.1 A. The Oklahoma Public Employees Retirement System Board of Trustees shall discharge their duties with respect to the 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 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 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 System.

B. 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.

C. 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 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.

D. The Board of Trustees shall retain qualified investment managers to provide for the investment of the monies of the 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 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 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.

E. Funds and revenues for investment by the investment managers or the Board of Trustees shall 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 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 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 System as to the investment of the monies of the 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.

F. By November 1, 1988, and prior to August 1 of each year thereafter, the Board of Trustees shall develop a written investment plan for the System.

G. The Board of Trustees shall compile a quarterly financial report of all the funds of the System on a fiscal year basis. The report shall be compiled pursuant to uniform reporting standards prescribed by the Oklahoma State Pension Commission for all state retirement systems. The report shall 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. The Board of Trustees shall include in the quarterly reports all commissions, fees or payments for investment services performed on behalf of the Board. The report shall be distributed to the Governor, the Oklahoma State Pension Commission,

the Legislative Service Bureau, the Speaker of the House of Representatives and the President Pro Tempore of the Senate.

H. After July 1 and before December 1 of each year, the Board of Trustees shall publish widely an annual report presented in simple and easily understood language pursuant to uniform reporting standards prescribed by the Oklahoma State Pension Commission for all state retirement systems. The report shall be submitted to the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the Oklahoma State Pension Commission and the members of the System. The annual report shall cover the operation of the System during the past fiscal year, including income, disbursements, and the financial condition of the System at the end of the fiscal year. The annual report shall also contain the information issued in the quarterly reports required pursuant to subsection G of this section 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 System for the fiscal year. ~~In order to standardize the information and analysis of the financial condition of the System, the Board 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 System in its annual actuarial valuation. The~~

~~appendix or addendum shall contain a statement of the financial condition of the 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 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 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 System are amortized over a period of thirty (30) years, in a manner consistent with the Governmental Accounting Standards Board Statement Number 25.~~

I. The Board shall distribute the corpus and income of the System to the members and their beneficiaries in accordance with the System's laws and rules and regulations. At no time prior to the satisfaction of all liabilities with respect to members and their beneficiaries shall any part of the corpus and income be used for, or diverted to, purposes other than the exclusive benefit of the members and their beneficiaries.

J. The Board of Trustees shall adopt a cost of living adjustment actuarial assumption in its annual actuarial valuation report.

SECTION 22. AMENDATORY 74 O.S. 2001, Section 942, as last amended by Section 1, Chapter 90, O.S.L. 2003 (74 O.S. Supp. 2005, 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. 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

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 23. This act shall become effective July 1, 2006.

SECTION 24. 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 14th day of March, 2006.

Presiding Officer of the Senate

Passed the House of Representatives the ____ day of _____,
2006.

Presiding Officer of the House
of Representatives