

THE STATE SENATE  
Tuesday, February 28, 2006

Committee Substitute for  
Senate Bill No. 1894

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 1894 - By: MAZZEI, JOLLEY  
and JOHNSON (Mike) 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.

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

4 As used in the Oklahoma Pension Legislation Actuarial Analysis  
5 Act:

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

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

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

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

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

- 5           a. grant a benefit increase under the retirement system  
6           affected by the bill except for cost-of-living  
7           adjustments provided to retirees of the retirement  
8           system, which shall not exceed two percent (2%)  
9           annually, which bill shall specifically identify such  
10          cost-of-living increase,
- 11          b. create an actuarial accrued liability for or increase  
12          the actuarial accrued liability of the retirement  
13          system affected by the bill, or
- 14          c. increase the normal cost of the retirement system  
15          affected by the bill.

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

22          7. "Reduction in cost amendment" means an amendment to a  
23 retirement bill having a fiscal impact which reduces the cost of the

1 bill as such cost is determined by the actuarial investigation for  
2 the bill prepared pursuant to Section 9 of the Oklahoma Pension  
3 Legislation Actuarial Analysis Act; and

4 8. "Retirement bill having a fiscal impact" means any  
5 retirement bill creating or establishing a retirement system and any  
6 other retirement bill other than a nonfiscal retirement bill.

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

10 No retirement bill may be introduced by any member of the  
11 Legislature unless, at the time of its introduction, the bill has  
12 printed thereon in the upper right portion of each page of the bill  
13 an RB number. Once a retirement bill is presented by the respective  
14 staff of the Oklahoma State Senate or the Oklahoma State House of  
15 Representatives to a member of the Legislature, neither the  
16 applicable staff nor any person shall make any change in the  
17 retirement bill prior to its introduction into the Legislature  
18 unless the bill is returned to the applicable staff office and that  
19 office assigns a new RB number to the bill.

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

1       As a condition precedent to the introduction of any retirement  
2 bill, the member of the Legislature who intends to be the primary  
3 sponsor of the bill must present an exact copy of the proposed bill,  
4 which must bear an RB number, to the Legislative Actuary. The  
5 Legislative Actuary shall determine whether the proposed bill is a  
6 retirement bill having a fiscal impact or a nonfiscal retirement  
7 bill and provide a written certification of that determination to  
8 the member of the Legislature who intends to be the primary sponsor  
9 of the bill. Such certification shall specifically identify the  
10 proposed bill by reference to the RB number. If the proposed bill  
11 is introduced into the Legislature, it shall have attached thereto  
12 the original of the certification of the Legislative Actuary. If  
13 the RB number on the bill as offered for introduction is different  
14 from the RB number shown on the certification of the Legislative  
15 Actuary or if the bill as offered for introduction does not bear an  
16 RB number on each page of the bill, the bill may not be accepted for  
17 introduction by the Secretary of the Senate or the Clerk of the  
18 House of Representatives, and the bill may not be considered by any  
19 committee of the House of Representatives or the Senate or by the  
20 House of Representatives or the Senate. If the bill is certified as  
21 a retirement bill having a fiscal impact, its introduction shall  
22 also be limited by the provisions of subsection A of Section 7 of  
23 the Oklahoma Pension Legislation Actuarial Analysis Act.

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

4 A. A nonfiscal retirement bill may be introduced at any time  
5 during the first twenty (20) days of any regular session of the  
6 Legislature. After its introduction into the Legislature, a  
7 nonfiscal retirement bill may not be amended in any manner to cause  
8 the bill to become a retirement bill having a fiscal impact. Any  
9 amendment to such a bill shall be submitted to the Legislative  
10 Actuary by the chairman of the committee, if a committee amendment,  
11 or by the presiding officer of the Senate or House of  
12 Representatives if the amendment was made by the Senate or the House  
13 of Representatives. If the Legislative Actuary certifies in writing  
14 that the amendment does not cause the bill to become a retirement  
15 bill having a fiscal impact, the bill, as amended, may continue in  
16 the legislative process as any other bill. If the Legislative  
17 Actuary will not issue such a certification for the amendment, the  
18 progress of the bill in the legislative process will end, and the  
19 bill shall not be considered further by either the House of  
20 Representatives or the Senate, and, if passed by the Legislature,  
21 the bill shall not become law and shall stand repealed in its  
22 entirety on the first day of July immediately following its  
23 enactment.

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

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

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

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

19          B. When a retirement bill having a fiscal impact is introduced,  
20 it shall be assigned by the presiding officer of the Senate or the  
21 House of Representatives, as the case may be, to the respective  
22 Senate or House of Representatives standing committee on retirement.  
23 If a majority of the total membership of the respective committee is

1 opposed to the bill on its merits, no actuarial investigation  
2 provided for in Section 9 of the Oklahoma Pension Legislation  
3 Actuarial Analysis Act shall be necessary, and the bill shall not be  
4 reported out by the committee and shall not be adopted or considered  
5 by the House of Representatives or the Senate. If a majority of the  
6 committee wishes to consider the bill further and votes in favor of  
7 an actuarial investigation of the bill, an actuarial investigation  
8 shall be required as provided in Section 9 of the Oklahoma Pension  
9 Legislation Actuarial Analysis Act. Except as otherwise provided by  
10 subsection C of this section, no retirement bill having a fiscal  
11 impact may be reported out of the committee to which it is assigned  
12 or may be considered or adopted by the House of Representatives or  
13 the Senate unless an actuarial investigation of the bill is made.

14 C. The committee to which a retirement bill having a fiscal  
15 impact is assigned following its introduction may at any time amend  
16 the bill to become a nonfiscal retirement bill. If the bill is so  
17 amended, an exact copy of the amended version shall be submitted by  
18 the chairman of the committee to the Legislative Actuary. If the  
19 Legislative Actuary issues a written certification that the  
20 committee amendment has converted the status of the bill to a  
21 nonfiscal retirement bill, the bill shall be a nonfiscal retirement  
22 bill for all purposes under the provisions of this act as of the  
23 date of the certification of the Legislative Actuary. Only the

1 committee to which a retirement bill having a fiscal impact is  
2 originally assigned following its introduction may convert the bill  
3 to a nonfiscal retirement bill as authorized in this subsection.

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

7 A. A retirement bill having a fiscal impact which the committee  
8 wishes to consider shall first be perfected, if necessary, by the  
9 committee. The committee may delay further consideration of the  
10 bill until after the close of the regular session during which the  
11 bill was introduced, but the committee shall complete its  
12 consideration of the bill for submission to the Legislative Actuary  
13 under Section 9 of the Oklahoma Pension Legislation Actuarial  
14 Analysis Act by not later than July 15 immediately following the  
15 close of the legislative session. The committee shall be authorized  
16 to meet for not more than five (5) days, unless additional days are  
17 authorized by the President Pro Tempore of the Senate for the Senate  
18 committee or by the Speaker of the House for the House committee,  
19 during the period beginning with the day following the close of the  
20 session and ending on July 1 immediately following the close of the  
21 session for the purpose of considering and perfecting the bill. If  
22 the bill originated in the Senate, the House Committee on Retirement  
23 Laws shall be authorized to meet with the Senate Committee on

1 Retirement and Group Health to consider and perfect a bill during  
2 the period following the close of a regular session, and, if the  
3 bill originated in the House, the Senate Committee on Retirement and  
4 Group Health shall have the same authority. The committees may  
5 adopt such procedures as they find appropriate for conducting  
6 meetings at which both committees are present as authorized by this  
7 subsection. For attending meetings of their respective committees  
8 as authorized by this subsection, the members of the Senate  
9 Committee on Retirement and Group Health and the House Retirement  
10 Laws Committee shall receive the expenses and allowances provided by  
11 law for members of legislative interim committees. If a retirement  
12 bill having a fiscal impact is changed by the committee to which it  
13 is assigned, such change shall be accomplished only by a substitute  
14 bill, and no committee amendment to the bill, except by substitute,  
15 shall be authorized.

16 B. Immediately after a retirement bill having a fiscal impact  
17 has been considered and perfected as provided in subsection A of  
18 this section, the chairman of the committee to which the bill was  
19 assigned shall transmit an exact copy of the bill, as perfected by  
20 the committee, when applicable, to the Legislative Actuary. The  
21 copy submitted to the Legislative Actuary shall bear an RB number.  
22 The submission of the bill to the Legislative Actuary shall have  
23 attached thereto a letter signed by the chairman of the committee

1 requesting the Legislative Actuary to make or cause to be made an  
2 actuarial investigation on the bill.

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

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

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

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

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

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

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

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

13           C. The chairman of the committee, upon receipt of the  
14 information provided for under subsection B of this section, shall  
15 cause the summary of the actuarial investigation to be printed by  
16 the Secretary of the Senate or the Clerk of the House of  
17 Representatives, depending on whether the bill is a Senate bill or  
18 House bill, in sufficient quantity to attach a copy thereof to all  
19 printed copies of the bill. The original summary of the actuarial  
20 investigation shall be attached by the Secretary of the Senate or a  
21 Clerk of the House of Representatives to the original version of the  
22 substitute bill, as perfected by the committee under Section 8 of  
23 the Oklahoma Pension Legislation Actuarial Analysis Act, if

1 applicable, or to the original version of the bill as introduced if  
2 the bill was not changed by the committee prior to its submission to  
3 the Legislative Actuary for an actuarial investigation.

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

7 A. When a retirement bill having a fiscal impact has had an  
8 actuarial investigation pursuant to Section 9 of the Oklahoma  
9 Pension Legislation Actuarial Analysis Act, the bill may be  
10 considered at the next regular session of the Legislature. If the  
11 bill as originally introduced was not changed by the committee and  
12 the original version was submitted to the Legislative Actuary for an  
13 actuarial investigation, then the original version of the bill is  
14 the only one, except as otherwise provided by subsection B of this  
15 section, which may be considered by any committee or by the House or  
16 the Senate. If the original bill was substituted by the committee  
17 and the substitute version was the one submitted to the Legislative  
18 Actuary, then that substitute bill is the only one, except as  
19 otherwise provided by subsection B of this section, which may be  
20 considered by any committee or by the House or the Senate.

21 B. After completion of an actuarial investigation, any  
22 amendment to a retirement bill having a fiscal impact shall be out  
23 of order and shall not be allowed either by a committee or by the

1 House or the Senate, except for a nonfiscal or a reduction in cost  
2 amendment. Any amendment to a retirement bill having a fiscal  
3 impact shall be submitted to the Legislative Actuary by the  
4 chairperson of the committee, if a committee amendment, or by the  
5 presiding officer of the Senate or the House if the amendment was  
6 made by the Senate or the House. If the Legislative Actuary  
7 certifies in writing that the amendment is a nonfiscal amendment or  
8 if the amendment results in a reduction in cost and the Legislative  
9 Actuary provides an actuarial investigation as required in  
10 subsection A of Section 9 of the Oklahoma Pension Legislation  
11 Actuarial Analysis Act, then the bill as amended, with the  
12 Legislative Actuary's certification or actuarial investigation  
13 attached to the original of the amendment, may continue in the  
14 legislative process. If the Legislative Actuary will not issue such  
15 a certification for the amendment or if there is no actuarial study  
16 showing the reduced cost of the amendment, the bill's progress in  
17 the legislative process will end, and the bill shall not be  
18 considered further by either the House or the Senate and, if passed  
19 by the Legislature, the bill shall not become law and shall stand  
20 repealed in its entirety on the first day of July immediately  
21 following its enactment.

22 C. An amendment to a retirement bill having a fiscal impact  
23 which is prohibited by subsection B of this section may be withdrawn

1 by the committee which made the amendment, if a committee amendment,  
2 or by the Senate, if that body made the amendment, or by the House,  
3 if that body made the amendment. If the amendment is withdrawn, the  
4 bill may continue in the legislative process as any other bill,  
5 unless it is subsequently amended, and, in that event, this section  
6 shall apply to the subsequent amendment.

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

10 A. Any retirement bill having a fiscal impact which is enacted  
11 by the Legislature and which is approved by the Governor or which  
12 otherwise becomes law shall become effective on the first day of  
13 July immediately following the regular session during which it was  
14 enacted, but only if the enacted bill is concurrently funded as  
15 provided by this section. If an enacted bill, including one  
16 approved by the Governor, is not concurrently funded as required by  
17 this section, then such bill may not become effective as law and  
18 shall be null, void, and of no force and effect and shall stand  
19 repealed in its entirety on the first day of July immediately  
20 following its enactment.

21 B. When a retirement bill having a fiscal impact amends a  
22 retirement system having employer contributions funded from  
23 appropriations by the Legislature, then appropriations for the first

1 fiscal year of effectiveness of the bill, after it becomes law, must  
2 include funds to pay the amount determined by the actuarial  
3 investigation under paragraph 5 of subsection A of Section 9 of the  
4 Oklahoma Pension Legislation Actuarial Analysis Act, and future  
5 appropriations for subsequent fiscal years must include an amount  
6 necessary to maintain the actuarial soundness of the retirement  
7 system in accordance with the findings of the actuarial  
8 investigation. Any limitation on the rate of employer contributions  
9 that may be included in a law which is the source of authority for a  
10 retirement system affected by this subsection shall be amended to  
11 the extent necessary to comply with the requirements of this  
12 subsection.

13 C. When a retirement bill having a fiscal impact amends a  
14 retirement system having employer contributions funded from portions  
15 of fines and forfeitures, then, if necessary to produce funds to pay  
16 the amount determined by actuarial investigation under paragraph 5  
17 of subsection A of Section 9 of the Oklahoma Pension Legislation  
18 Actuarial Analysis Act either:

19 1. The retirement bill having a fiscal impact or parallel  
20 legislation, which must become effective concurrently with the  
21 retirement bill, must revise the portion of fines and forfeitures  
22 designated for employer contributions to pay the amount determined

1 under paragraph 5 of subsection A of Section 9 of the Oklahoma  
2 Pension Legislation Actuarial Analysis Act; or

3 2. The Legislature by direct appropriations must supplement  
4 employer contributions from fines and forfeitures to the extent  
5 necessary to pay the amount determined under paragraph 5 of  
6 subsection A of Section 9 of the Oklahoma Pension Legislation  
7 Actuarial Analysis Act.

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

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

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

20 E. When a retirement bill having a fiscal impact amends a  
21 retirement system having employer contributions funded wholly or  
22 partially from the funds of a political subdivision, that political  
23 subdivision shall have a duty to produce funds as necessary to pay

1 all or its proportionate share of the amount determined by actuarial  
2 investigation under paragraph 5 of subsection A of Section 9 of the  
3 Oklahoma Pension Legislation Actuarial Analysis Act.

4 F. When a retirement bill having a fiscal impact creates a new  
5 retirement system, then employer contributions in conformity with  
6 paragraph 5 of subsection A of Section 9 of the Oklahoma Pension  
7 Legislation Actuarial Analysis Act must be made to the retirement  
8 system either by direct appropriations by the Legislature or by  
9 another source of employer contributions specifically provided for  
10 in the bill creating the new retirement system.

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

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

22 B. The Director of the Office of State Finance, the legislative  
23 budget analyst, retirement system administrators, and employers

1 shall provide such information and assistance as may be necessary  
2 for the Legislative Actuary to make the determinations required by  
3 subsection A of this section.

4 C. The Legislative Actuary shall make the determinations  
5 required by subsection A of this section by not later than the  
6 fifteenth day immediately following the last day on which the  
7 Governor is authorized to veto bills following the close of each  
8 regular legislative session. The Legislative Actuary's findings  
9 shall be made in a report to the Secretary of State showing the  
10 determination for each retirement bill by reference to the  
11 respective Senate or House number for the bill. The report shall be  
12 submitted to the Secretary of State by not later than the last day  
13 on which the Legislative Actuary is required to make the  
14 determinations. The Secretary of State shall cause the Legislative  
15 Actuary's report to be printed in the annual session laws of the  
16 State of Oklahoma.

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

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

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

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

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

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

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

1       The Legislative Service Bureau is authorized and directed to  
2 enter into a contract with a person or firm for the purposes of  
3 performing the services and duties of the Legislative Actuary as  
4 provided for in the Oklahoma Pension Legislation Actuarial Analysis  
5 Act.

6       SECTION 16.       AMENDATORY       11 O.S. 2001, Section 49-100.9,  
7 as amended by Section 3, Chapter 391, O.S.L. 2002 (11 O.S. Supp.  
8 2005, Section 49-100.9), is amended to read as follows:

9       Section 49-100.9 A. The Oklahoma Firefighters Pension and  
10 Retirement Board shall discharge their duties with respect to the  
11 System solely in the interest of the participants and beneficiaries  
12 and:

- 13       1. For the exclusive purpose of:
  - 14           a. providing benefits to participants and their  
15               beneficiaries, and
  - 16           b. defraying reasonable expenses of administering the  
17               System;
- 18       2. With the care, skill, prudence, and diligence under the  
19 circumstances then prevailing that a prudent person acting in a like  
20 capacity and familiar with such matters would use in the conduct of  
21 an enterprise of a like character and with like aims;

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

4           4. In accordance with the laws, documents and instruments  
5 governing the System.

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

10          C. The State Board may establish an investment committee. The  
11 investment committee shall be composed of not more than five (5)  
12 members of the State Board appointed by the chairman of the State  
13 Board. The committee shall make recommendations to the full State  
14 Board on all matters related to the choice of custodians and  
15 managers of the assets of the System, on the establishment of  
16 investment and fund management guidelines, and in planning future  
17 investment policy. The committee shall have no authority to act on  
18 behalf of the State Board in any circumstances whatsoever. No  
19 recommendation of the committee shall have effect as an action of  
20 the State Board nor take effect without the approval of the State  
21 Board as provided by law.

22          D. The Board shall retain qualified investment managers to  
23 provide for the investment of the monies of the System. The

1 investment managers shall be chosen by a solicitation of proposals  
2 on a competitive bid basis pursuant to standards set by the State  
3 Board. Subject to the overall investment guidelines set by the  
4 State Board, the investment managers shall have full discretion in  
5 the management of those monies of the System allocated to the  
6 investment managers. The State Board shall manage those monies not  
7 specifically allocated to the investment managers. The monies of  
8 the System allocated to the investment managers shall be actively  
9 managed by the investment managers, which may include selling  
10 investments and realizing losses if such action is considered  
11 advantageous to longer term return maximization. Because of the  
12 total return objective, no distinction shall be made for management  
13 and performance evaluation purposes between realized and unrealized  
14 capital gains and losses.

15 E. Funds and revenues for investment by the investment managers  
16 or the State Board shall be placed with a custodian selected by the  
17 State Board. The custodian shall be a bank or trust company  
18 offering pension fund master trustee and master custodial services.  
19 The custodian shall be chosen by a solicitation of proposals on a  
20 competitive bid basis pursuant to standards set by the State Board.  
21 In compliance with the investment policy guidelines of the State  
22 Board, the custodian bank or trust company shall be contractually  
23 responsible for ensuring that all monies of the System are invested

1 in income-producing investment vehicles at all times. If a  
2 custodian bank or trust company has not received direction from the  
3 investment managers of the System as to the investment of the monies  
4 of the System in specific investment vehicles, the custodian bank or  
5 trust company shall be contractually responsible to the State Board  
6 for investing the monies in appropriately collateralized short-term  
7 interest-bearing investment vehicles.

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

11 G. The State Board shall compile a quarterly financial report  
12 of all the funds of the System on a fiscal year basis. The report  
13 shall be compiled pursuant to uniform reporting standards prescribed  
14 by the Oklahoma State Pension Commission for all state retirement  
15 systems. The report shall include several relevant measures of  
16 investment value, including acquisition cost and current fair market  
17 value with appropriate summaries of total holdings and returns. The  
18 report shall contain combined and individual rate of returns of the  
19 investment managers by category of investment, over periods of time.  
20 The State Board shall include in the quarterly reports all  
21 commissions, fees or payments for investment services performed on  
22 behalf of the State Board. The report shall be distributed to the  
23 Governor, the Oklahoma State Pension Commission, the Legislative

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

3 H. After July 1 and before October 1 of each year, the State  
4 Board shall publish widely an annual report presented in simple and  
5 easily understood language pursuant to uniform reporting standards  
6 prescribed by the Oklahoma State Pension Commission for all state  
7 retirement systems. The report shall be submitted to the Governor,  
8 the Speaker of the House of Representatives, the President Pro  
9 Tempore of the Senate, the Oklahoma State Pension Commission and the  
10 members of the System. The annual report shall cover the operation  
11 of the System during the past fiscal year, including income,  
12 disbursements, and the financial condition of the System at the end  
13 of the fiscal year. The annual report shall also contain the  
14 information issued in the quarterly reports required pursuant to  
15 subsection G of this section as well as a summary of the results of  
16 the most recent actuarial valuation to include total assets, total  
17 liabilities, unfunded liability or over funded status, contributions  
18 and any other information deemed relevant by the State Board. The  
19 annual report shall be written in such a manner as to permit a  
20 readily understandable means for analyzing the financial condition  
21 and performance of the System for the fiscal year. ~~In order to~~  
22 ~~standardize the information and analysis of the financial condition~~  
23 ~~of the System, the Board shall provide information regarding the~~

1 ~~financial and actuarial condition of the System using assumptions or~~  
2 ~~requirements as hereinafter required for the report stating the~~  
3 ~~condition of the System as of July 1, 2002, and for each subsequent~~  
4 ~~reporting date, which information shall be contained in an appendix~~  
5 ~~or addendum to the annual report. For purposes other than the~~  
6 ~~reporting requirements contained in the appendix or addendum, all~~  
7 ~~actuarial and economic assumptions shall be those assumptions~~  
8 ~~adopted by the System in its annual actuarial valuation. The~~  
9 ~~appendix or addendum shall contain a statement of the financial~~  
10 ~~condition of the System:~~

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

14 ~~2. Using an actuarial assumption regarding cost-of-living~~  
15 ~~adjustments for the System of two percent (2%) annually;~~

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

20 ~~4. Which accurately and completely summarizes all sources of~~  
21 ~~system assets, other than employee contributions, which shall~~  
22 ~~include, but not be limited to, the total of all employer~~  
23 ~~contributions, any dedicated tax or fee revenue of whatever kind or~~

1 ~~however denominated, and the total amount of any other source of~~  
2 ~~revenue which accrues to the System, other than return on~~  
3 ~~investments, such as federal monies used for the purpose of making~~  
4 ~~employer contributions; and~~

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

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

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

18 Section 50-105.4 A. The Oklahoma Police Pension and Retirement  
19 Board shall discharge their duties with respect to the System solely  
20 in the interest of the participants and beneficiaries and:

21 1. For the exclusive purpose of:

22 a. providing benefits to participants and their  
23 beneficiaries, and

1           b.    defraying reasonable expenses of administering the  
2                    System;

3           2.    With the care, skill, prudence, and diligence under the  
4 circumstances then prevailing that a prudent person acting in a like  
5 capacity and familiar with such matters would use in the conduct of  
6 an enterprise of a like character and with like aims;

7           3.    By diversifying the investments of the System so as to  
8 minimize the risk of large losses, unless under the circumstances it  
9 is clearly prudent not to do so; and

10          4.    In accordance with the laws, documents and instruments  
11 governing the System.

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

16          C.    The State Board may establish an investment committee. The  
17 investment committee shall be composed of not more than five (5)  
18 members of the State Board appointed by the chairman of the State  
19 Board. The committee shall make recommendations to the full State  
20 Board on all matters related to the choice of custodians and  
21 managers of the assets of the System, on the establishment of  
22 investment and fund management guidelines, and in planning future  
23 investment policy. The committee shall have no authority to act on

1 behalf of the State Board in any circumstances whatsoever. No  
2 recommendation of the committee shall have effect as an action of  
3 the State Board nor take effect without the approval of the State  
4 Board as provided by law.

5 D. The State Board shall retain qualified investment managers  
6 to provide for the investment of the monies of the System. The  
7 investment managers shall be chosen by a solicitation of proposals  
8 on a competitive bid basis pursuant to standards set by the State  
9 Board unless the State Board deems it necessary and prudent to do  
10 otherwise to fulfill its fiduciary responsibility. Subject to the  
11 overall investment guidelines set by the State Board, the investment  
12 managers shall have full discretion in the management of those  
13 monies of the System allocated to the investment managers. The  
14 State Board shall manage those monies not specifically allocated to  
15 the investment managers. The monies of the System allocated to the  
16 investment managers shall be actively managed by the investment  
17 managers, which may include selling investments and realizing losses  
18 if such action is considered advantageous to longer term return  
19 maximization. Because of the total return objective, no distinction  
20 shall be made for management and performance evaluation purposes  
21 between realized and unrealized capital gains and losses.

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

1 State Board. The custodian shall be a bank or trust company  
2 offering pension fund master trustee and master custodial services.  
3 The custodian shall be chosen by a solicitation of proposals on a  
4 competitive basis pursuant to standards set by the State Board. In  
5 compliance with the investment policy guidelines of the State Board,  
6 the custodian bank or trust company shall be contractually  
7 responsible for ensuring that all monies of the System are invested  
8 in income-producing investment vehicles at all times. If a  
9 custodian bank or trust company has not received direction from the  
10 investment managers of the System as to the investment of the monies  
11 of the System in specific investment vehicles, the custodian bank or  
12 trust company shall be contractually responsible to the State Board  
13 for investing the monies in appropriately collateralized short-term  
14 interest-bearing investment vehicles.

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

18 G. After July 1 and before November 1 of each year, the State  
19 Board shall publish widely an annual report presented in simple and  
20 easily understood language pursuant to uniform reporting standards  
21 prescribed by the Oklahoma State Pension Commission for all state  
22 retirement systems. The report shall be submitted to the Governor,  
23 the Speaker of the House of Representatives, the President Pro

1 Tempore of the Senate, the Oklahoma State Pension Commission and the  
2 members of the System. The annual report shall cover the operation  
3 of the System during the past fiscal year, including income,  
4 disbursements, and the financial condition of the System at the end  
5 of the fiscal year. The annual report shall also contain a summary  
6 of the results of the most recent actuarial valuation to include  
7 total assets, total liabilities, unfunded liability or over funded  
8 status, contributions and any other information deemed relevant by  
9 the State Board. The annual report shall be written in such a  
10 manner as to permit a readily understandable means for analyzing the  
11 financial condition and performances of the System for the fiscal  
12 year. ~~In order to standardize the information and analysis of the~~  
13 ~~financial condition of the System, the Board shall provide~~  
14 ~~information regarding the financial and actuarial condition of the~~  
15 ~~System using assumptions or requirements as hereinafter required for~~  
16 ~~the report stating the condition of the System as of July 1, 2002,~~  
17 ~~and for each subsequent reporting date, which information shall be~~  
18 ~~contained in an appendix or addendum to the annual report. For~~  
19 ~~purposes other than the reporting requirements contained in the~~  
20 ~~appendix or addendum, all actuarial and economic assumptions shall~~  
21 ~~be those assumptions adopted by the System in its annual actuarial~~  
22 ~~valuation. The appendix or addendum shall contain a statement of~~  
23 ~~the financial condition of the System:~~

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

4       ~~2. Using an actuarial assumption regarding cost-of-living~~  
5 ~~adjustments for the System of two percent (2%) annually;~~

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

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

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

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

1 SECTION 18. AMENDATORY 20 O.S. 2001, Section 1108, as  
2 last amended by Section 12, Chapter 536, O.S.L. 2004 (20 O.S. Supp.  
3 2005, Section 1108), is amended to read as follows:

4 Section 1108. A. The Board of Trustees of the Oklahoma Public  
5 Employees Retirement System shall have the responsibility for  
6 management of the Uniform Retirement System for Justices and Judges  
7 and the State Judicial Retirement Fund. All benefits payable under  
8 The Uniform Retirement System for Justices and Judges, refunds of  
9 contributions and overpayments, purchases or investments under the  
10 law, and all expenses in connection with the System shall be paid  
11 from the Oklahoma Judicial Retirement Fund. The State Judicial  
12 Retirement Fund shall be invested and managed in the same manner as  
13 now or hereinafter provided by law for the investment and management  
14 of funds belonging to the Oklahoma Public Employees Retirement  
15 System. The Uniform Retirement System for Justices and Judges shall  
16 be an instrumentality of the State of Oklahoma. The System shall be  
17 vested with the powers and duties specified in this act and such  
18 other powers as may be necessary to enable it, its officers,  
19 employees, and agents to carry out fully and effectively the  
20 purposes and intent of this act.

21 1. The Board shall distribute the corpus and income of the  
22 System to the members and their beneficiaries in accordance with the  
23 System's law. At no time prior to the satisfaction of all

1 liabilities with respect to members and their beneficiaries shall  
2 any part of the corpus and income be used for, or diverted to,  
3 purposes other than the exclusive benefit of the members and their  
4 beneficiaries.

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

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

14 4. The Board shall establish rules for the administration of  
15 the System and for the transaction of its business consistent with  
16 law, which rules shall be promulgated in compliance with the  
17 Administrative Procedures Act.

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

22 6. All decisions of the Board as to questions of fact shall be  
23 final and conclusive on all persons except for the right of review

1 as provided by law and except for fraud or such gross mistake of  
2 fact as to have effect equivalent to fraud.

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

17 B. The Board of Trustees of the Oklahoma Public Employees  
18 Retirement System shall compile a quarterly financial report of all  
19 the funds of the State Judicial Retirement Fund on a fiscal year  
20 basis. The report shall be compiled pursuant to uniform reporting  
21 standards prescribed by the Oklahoma State Pension Commission for  
22 all state retirement systems. The report shall include several  
23 relevant measures of investment value, including acquisition cost

1 and current fair market value with appropriate summaries of total  
2 holdings and returns. The report shall contain combined and  
3 individual rate of returns of the investment managers by category of  
4 investment, over periods of time. The Board of Trustees shall  
5 include in the quarterly reports all commissions, fees or payments  
6 for investment services performed on behalf of the Board of Trustees  
7 with respect to the State Judicial Retirement Fund. The report  
8 shall be distributed to the Governor, the Oklahoma State Pension  
9 Commission, the Legislative Service Bureau, the Speaker of the House  
10 of Representatives and the President Pro Tempore of the Senate.

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

1 administration of the fund pursuant to the provisions of this  
2 subsection.

3 D. After July 1 and before December 1 of each year, the Board  
4 of Trustees of the Oklahoma Public Employees Retirement System shall  
5 publish widely an annual report presented in simple and easily  
6 understood language pursuant to uniform reporting standards  
7 prescribed by the Oklahoma State Pension Commission for all state  
8 retirement systems. The report shall be submitted to the Governor,  
9 the Speaker of the House of Representatives, the President Pro  
10 Tempore of the Senate, the Oklahoma State Pension Commission and the  
11 members of the System. The annual report shall cover the operation  
12 of the System during the past fiscal year, including income,  
13 disbursements, and the financial condition of the System at the end  
14 of the fiscal year. The annual report shall also contain the  
15 information issued in the quarterly reports required pursuant to  
16 subsection B of this section as well as a summary of the results of  
17 the most recent actuarial valuation to include total assets, total  
18 liabilities, unfunded liability or overfunded status, contributions  
19 and any other information deemed relevant by the Board of Trustees.  
20 The annual report shall be written in such a manner as to permit a  
21 readily understandable means for analyzing the financial condition  
22 and performance of the System for the fiscal year. ~~In order to~~  
23 ~~standardize the information and analysis of the financial condition~~

1 ~~of the System, the Board shall provide information regarding the~~  
2 ~~financial and actuarial condition of the System using assumptions or~~  
3 ~~requirements as hereinafter required for the report stating the~~  
4 ~~condition of the System as of July 1, 2002, and for each subsequent~~  
5 ~~reporting date, which information shall be contained in an appendix~~  
6 ~~or addendum to the annual report. For purposes other than the~~  
7 ~~reporting requirements contained in the appendix or addendum, all~~  
8 ~~actuarial and economic assumptions shall be those assumptions~~  
9 ~~adopted by the System in its annual actuarial valuation. The~~  
10 ~~appendix or addendum shall contain a statement of the financial~~  
11 ~~condition of the System:~~

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

15 ~~2. Using an actuarial assumption regarding cost-of-living~~  
16 ~~adjustments for the System of two percent (2%) annually;~~

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

21 ~~4. Which accurately and completely summarizes all sources of~~  
22 ~~system assets, other than employee contributions, which shall~~  
23 ~~include, but not be limited to, the total of all employer~~

1 ~~contributions, any dedicated tax or fee revenue of whatever kind or~~  
2 ~~however denominated, and the total amount of any other source of~~  
3 ~~revenue which accrues to the System, other than return on~~  
4 ~~investments, such as federal monies used for the purpose of making~~  
5 ~~employer contributions; and~~

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

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

12 SECTION 19. AMENDATORY 47 O.S. 2001, Section 2-303.1, as  
13 last amended by Section 2, Chapter 142, O.S.L. 2005 (47 O.S. Supp.  
14 2005, Section 2-303.1), is amended to read as follows:

15 Section 2-303.1 A. The Oklahoma Law Enforcement Retirement  
16 Board shall discharge its duties with respect to the System solely  
17 in the interest of the participants and beneficiaries and:

18 1. For the exclusive purpose of:

19 a. providing benefits to participants and their  
20 beneficiaries, and

21 b. defraying reasonable expenses of administering the  
22 System;

1           2. With the care, skill, prudence, and diligence under the  
2 circumstances then prevailing that a prudent person acting in a like  
3 capacity and familiar with such matters would use in the conduct of  
4 an enterprise of a like character and with like aims;

5           3. By diversifying the investments of the System so as to  
6 minimize the risk of large losses, unless under the circumstances it  
7 is clearly prudent not to do so; and

8           4. In accordance with the laws, documents and instruments  
9 governing the System.

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

14          C. The Board may establish an investment committee. The  
15 investment committee shall be composed of not more than five (5)  
16 members of the Board appointed by the president of the Board. The  
17 committee shall make recommendations to the full Board on all  
18 matters related to the choice of custodians and managers of the  
19 assets of the System, on the establishment of investment and fund  
20 management guidelines, and in planning future investment policy.  
21 The committee shall have no authority to act on behalf of the Board  
22 in any circumstances whatsoever. No recommendation of the committee

1 shall have effect as an action of the Board nor take effect without  
2 the approval of the Board as provided by law.

3 D. The Board shall retain qualified investment managers to  
4 provide for the investment of the monies of the System. The  
5 investment managers shall be chosen by a solicitation of proposals  
6 on a competitive bid basis pursuant to standards set by the Board.  
7 Subject to the overall investment guidelines set by the Board, the  
8 investment managers shall have full discretion in the management of  
9 those monies of the System allocated to the investment managers.  
10 The Board shall manage those monies not specifically allocated to  
11 the investment managers. The monies of the System allocated to the  
12 investment managers shall be actively managed by the investment  
13 managers, which may include selling investments and realizing losses  
14 if such action is considered advantageous to longer term return  
15 maximization. Because of the total return objective, no distinction  
16 shall be made for management and performance evaluation purposes  
17 between realized and unrealized capital gains and losses.

18 E. All assets of the System shall be held in trust for the  
19 exclusive purpose of providing benefits for the members and  
20 beneficiaries of the System, including defraying reasonable expenses  
21 of administering the System, and shall not be encumbered for or  
22 diverted to any other purposes. Funds and revenues for investment  
23 by the investment managers or the Board shall be placed with a

1 custodian selected by the Board. The custodian shall be a bank or  
2 trust company offering pension fund master trustee and master  
3 custodial services. The custodian shall be chosen by a solicitation  
4 of proposals on a competitive bid basis pursuant to standards set by  
5 the Board. In compliance with the investment policy guidelines of  
6 the Board, the custodian bank or trust company shall be  
7 contractually responsible for ensuring that all monies of the System  
8 are invested in income-producing investment vehicles at all times.  
9 If a custodian bank or trust company has not received direction from  
10 the investment managers of the System as to the investment of the  
11 monies of the System in specific investment vehicles, the custodian  
12 bank or trust company shall be contractually responsible to the  
13 Board for investing the monies in appropriately collateralized  
14 short-term interest-bearing investment vehicles.

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

17 G. The Board shall compile a quarterly financial report of all  
18 the funds of the System on a fiscal year basis. The report shall be  
19 compiled pursuant to uniform reporting standards prescribed by the  
20 Oklahoma State Pension Commission for all state retirement systems.  
21 The report shall include several relevant measures of investment  
22 value, including acquisition cost and current fair market value with  
23 appropriate summaries of total holdings and returns. The report

1 shall contain combined and individual rate of returns of the  
2 investment managers by category of investment, over periods of time.  
3 The Board shall include in the quarterly reports all commissions,  
4 fees or payments for investment services performed on behalf of the  
5 Board. The report shall be distributed to the Governor, the  
6 Oklahoma State Pension Commission, the Legislative Service Bureau,  
7 the Speaker of the House of Representatives and the President Pro  
8 Tempore of the Senate.

9 H. After July 1 and before October 31 of each year, the Board  
10 shall publish widely an annual report presented in simple and easily  
11 understood language pursuant to uniform reporting standards  
12 prescribed by the Oklahoma State Pension Commission for all state  
13 retirement systems. The report shall be submitted to the Governor,  
14 the Speaker of the House of Representatives, the President Pro  
15 Tempore of the Senate, the Oklahoma State Pension Commission and the  
16 members of the System. The annual report shall cover the operation  
17 of the System during the past fiscal year, including income,  
18 disbursements, and the financial condition of the System at the end  
19 of the fiscal year. The annual report shall also contain the  
20 information issued in the quarterly reports required pursuant to  
21 subsection G of this section as well as a summary of the results of  
22 the most recent actuarial valuation to include total assets, total  
23 liabilities, unfunded liability or over funded status, contributions

1 and any other information deemed relevant by the Board. The annual  
2 report shall be written in such a manner as to permit a readily  
3 understandable means for analyzing the financial condition and  
4 performance of the System for the fiscal year. The annual financial  
5 statements must be audited and filed in accordance with the  
6 requirements set forth for financial statement audits in Section  
7 212A of Title 74 of the Oklahoma Statutes. ~~In order to standardize~~  
8 ~~the information and analysis of the financial condition of the~~  
9 ~~System, the Board shall provide information regarding the financial~~  
10 ~~and actuarial condition of the System using assumptions or~~  
11 ~~requirements as hereinafter required for the report stating the~~  
12 ~~condition of the System as of July 1, 2002, and for each subsequent~~  
13 ~~reporting date, which information shall be contained in an appendix~~  
14 ~~or addendum to the annual report. For purposes other than the~~  
15 ~~reporting requirements contained in the appendix or addendum, all~~  
16 ~~actuarial and economic assumptions shall be those assumptions~~  
17 ~~adopted by the System in its annual actuarial valuation. The~~  
18 ~~appendix or addendum shall contain a statement of the financial~~  
19 ~~condition of the System:~~

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

1       ~~2. Using an actuarial assumption regarding cost of living~~  
2 ~~adjustments for the System of two percent (2%) annually;~~

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

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

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

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

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

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

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

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

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

1 Section 17-106.1 A. The Board of Trustees of the Teachers'  
2 Retirement System of Oklahoma shall discharge their duties with  
3 respect to the System solely in the interest of the participants and  
4 beneficiaries and:

5 1. For the exclusive purpose of:

6 a. providing benefits to participants and their  
7 beneficiaries, and

8 b. defraying reasonable expenses of administering the  
9 System;

10 2. With the care, skill, prudence, and diligence under the  
11 circumstances then prevailing that a prudent person acting in a like  
12 capacity and familiar with such matters would use in the conduct of  
13 an enterprise of a like character and with like aims;

14 3. By diversifying the investments of the System so as to  
15 minimize the risk of large losses, unless under the circumstances it  
16 is clearly prudent not to do so; and

17 4. In accordance with the laws, documents and instruments  
18 governing the System.

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

1 C. The Board of Trustees may establish an investment committee.  
2 The investment committee shall be composed of not more than five (5)  
3 members of the Board of Trustees appointed by the chairman of the  
4 Board of Trustees. The committee shall make recommendations to the  
5 full Board of Trustees on all matters related to the choice of  
6 custodians and managers of the assets of the System, on the  
7 establishment of investment and fund management guidelines, and in  
8 planning future investment policy. The committee shall have no  
9 authority to act on behalf of the Board of Trustees in any  
10 circumstances whatsoever. No recommendation of the committee shall  
11 have effect as an action of the Board of Trustees nor take effect  
12 without the approval of the Board of Trustees as provided by law.

13 D. The Board of Trustees may retain qualified investment  
14 managers to provide for the investment of the monies of the System.  
15 The investment managers shall be chosen by a solicitation of  
16 proposals on a competitive bid basis pursuant to standards set by  
17 the Board of Trustees. Subject to the overall investment guidelines  
18 set by the Board of Trustees, the investment managers shall have  
19 full discretion in the management of those monies of the System  
20 allocated to the investment managers. The Board of Trustees shall  
21 manage those monies not specifically allocated to the investment  
22 managers. The monies of the System allocated to the investment  
23 managers shall be actively managed by the investment managers, which

1 may include selling investments and realizing losses if such action  
2 is considered advantageous to longer term return maximization.  
3 Because of the total return objective, no distinction shall be made  
4 for management and performance evaluation purposes between realized  
5 and unrealized capital gains and losses.

6 E. Funds and revenues for investment by the investment managers  
7 or the Board of Trustees shall be placed with a custodian selected  
8 by the Board of Trustees. The custodian shall be a bank or trust  
9 company offering pension fund master trustee and master custodial  
10 services. The custodian shall be chosen by a solicitation of  
11 proposals on a competitive bid basis pursuant to standards set by  
12 the Board of Trustees. In compliance with the investment policy  
13 guidelines of the Board of Trustees, the custodian bank or trust  
14 company shall be contractually responsible for ensuring that all  
15 monies of the System are invested in income-producing investment  
16 vehicles at all times. If a custodian bank or trust company has not  
17 received direction from the investment managers of the System as to  
18 the investment of the monies of the System in specific investment  
19 vehicles, the custodian bank or trust company shall be contractually  
20 responsible to the Board of Trustees for investing the monies in  
21 appropriately collateralized short-term interest-bearing investment  
22 vehicles.

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

4 G. The Board of Trustees shall compile a quarterly financial  
5 report of all the funds of the System on a fiscal year basis. The  
6 report shall be compiled pursuant to uniform reporting standards  
7 prescribed by the Oklahoma State Pension Commission for all state  
8 retirement systems. The report shall include several relevant  
9 measures of investment value, including acquisition cost and current  
10 fair market value with appropriate summaries of total holdings and  
11 returns. The report shall contain combined and individual rate of  
12 returns of the investment managers by category of investment, over  
13 periods of time. The Board of Trustees shall include in the  
14 quarterly reports all commissions, fees or payments for investment  
15 services performed on behalf of the Board. The report shall be  
16 distributed to the Governor, the Oklahoma State Pension Commission,  
17 the Legislative Service Bureau, the Speaker of the House of  
18 Representatives and the President Pro Tempore of the Senate.

19 H. After July 1 and before October 1 of each year, the Board of  
20 Trustees shall publish widely an annual report presented in simple  
21 and easily understood language pursuant to uniform reporting  
22 standards prescribed by the Oklahoma State Pension Commission for  
23 all state retirement systems. The report shall be submitted to the

1 Governor, the Speaker of the House of Representatives, the President  
2 Pro Tempore of the Senate, the Oklahoma State Pension Commission and  
3 the members of the System. The annual report shall cover the  
4 operation of the System during the past fiscal year, including  
5 income, disbursements, and the financial condition of the System at  
6 the end of the fiscal year. The annual report shall also contain  
7 the information issued in the quarterly reports required pursuant to  
8 subsection G of this section as well as a summary of the results of  
9 the most recent actuarial valuation to include total assets, total  
10 liabilities, unfunded liability or over funded status, contributions  
11 and any other information deemed relevant by the Board of Trustees.  
12 The annual report shall be written in such a manner as to permit a  
13 readily understandable means for analyzing the financial condition  
14 and performance of the System for the fiscal year. ~~In order to~~  
15 ~~standardize the information and analysis of the financial condition~~  
16 ~~of the System, the Board shall provide information regarding the~~  
17 ~~financial and actuarial condition of the System using assumptions or~~  
18 ~~requirements as hereinafter required for the report stating the~~  
19 ~~condition of the System as of July 1, 2002, and for each subsequent~~  
20 ~~reporting date, which information shall be contained in an appendix~~  
21 ~~or addendum to the annual report. For purposes other than the~~  
22 ~~reporting requirements contained in the appendix or addendum, all~~  
23 ~~actuarial and economic assumptions shall be those assumptions~~

1 ~~adopted by the System in its annual actuarial valuation. The~~  
2 ~~appendix or addendum shall contain a statement of the financial~~  
3 ~~condition of the 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 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 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 System are amortized over a period of thirty (30)~~

1 ~~years, in a manner consistent with the Governmental Accounting~~  
2 ~~Standards Board Statement Number 25.~~

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

6 SECTION 21. AMENDATORY 74 O.S. 2001, Section 909.1, as  
7 last amended by Section 23, Chapter 536, O.S.L. 2004 (74 O.S. Supp.  
8 2005, Section 909.1), is amended to read as follows:

9 Section 909.1 A. The Oklahoma Public Employees Retirement  
10 System Board of Trustees shall discharge their duties with respect  
11 to the System solely in the interest of the participants and  
12 beneficiaries and:

13 1. For the exclusive purpose of:

14 a. providing benefits to participants and their  
15 beneficiaries, and

16 b. defraying reasonable expenses of administering the  
17 System;

18 2. With the care, skill, prudence, and diligence under the  
19 circumstances then prevailing that a prudent person acting in a like  
20 capacity and familiar with such matters would use in the conduct of  
21 an enterprise of a like character and with like aims;

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

4           4. In accordance with the laws, documents and instruments  
5 governing the System.

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

10          C. The Board of Trustees may establish an investment committee.  
11 The investment committee shall be composed of not more than five (5)  
12 members of the Board of Trustees appointed by the chairman of the  
13 Board of Trustees. The committee shall make recommendations to the  
14 full Board of Trustees on all matters related to the choice of  
15 custodians and managers of the assets of the System, on the  
16 establishment of investment and fund management guidelines, and in  
17 planning future investment policy. The committee shall have no  
18 authority to act on behalf of the Board of Trustees in any  
19 circumstances whatsoever. No recommendation of the committee shall  
20 have effect as an action of the Board of Trustees nor take effect  
21 without the approval of the Board of Trustees as provided by law.

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

1 The investment managers shall be chosen by a solicitation of  
2 proposals on a competitive bid basis pursuant to standards set by  
3 the Board of Trustees. Subject to the overall investment guidelines  
4 set by the Board of Trustees, the investment managers shall have  
5 full discretion in the management of those monies of the System  
6 allocated to the investment managers. The Board of Trustees shall  
7 manage those monies not specifically allocated to the investment  
8 managers. The monies of the System allocated to the investment  
9 managers shall be actively managed by the investment managers, which  
10 may include selling investments and realizing losses if such action  
11 is considered advantageous to longer term return maximization.  
12 Because of the total return objective, no distinction shall be made  
13 for management and performance evaluation purposes between realized  
14 and unrealized capital gains and losses.

15 E. Funds and revenues for investment by the investment managers  
16 or the Board of Trustees shall be placed with a custodian selected  
17 by the Board of Trustees. The custodian shall be a bank or trust  
18 company offering pension fund master trustee and master custodial  
19 services. The custodian shall be chosen by a solicitation of  
20 proposals on a competitive basis pursuant to standards set by the  
21 Board of Trustees. In compliance with the investment policy  
22 guidelines of the Board of Trustees, the custodian bank or trust  
23 company shall be contractually responsible for ensuring that all

1 monies of the System are invested in income-producing investment  
2 vehicles at all times. If a custodian bank or trust company has not  
3 received direction from the investment managers of the System as to  
4 the investment of the monies of the System in specific investment  
5 vehicles, the custodian bank or trust company shall be contractually  
6 responsible to the Board of Trustees for investing the monies in  
7 appropriately collateralized short-term interest-bearing investment  
8 vehicles.

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

12 G. The Board of Trustees shall compile a quarterly financial  
13 report of all the funds of the System on a fiscal year basis. The  
14 report shall be compiled pursuant to uniform reporting standards  
15 prescribed by the Oklahoma State Pension Commission for all state  
16 retirement systems. The report shall include several relevant  
17 measures of investment value, including acquisition cost and current  
18 fair market value with appropriate summaries of total holdings and  
19 returns. The report shall contain combined and individual rate of  
20 returns of the investment managers by category of investment, over  
21 periods of time. The Board of Trustees shall include in the  
22 quarterly reports all commissions, fees or payments for investment  
23 services performed on behalf of the Board. The report shall be

1 distributed to the Governor, the Oklahoma State Pension Commission,  
2 the Legislative Service Bureau, the Speaker of the House of  
3 Representatives and the President Pro Tempore of the Senate.

4 H. After July 1 and before December 1 of each year, the Board  
5 of Trustees shall publish widely an annual report presented in  
6 simple and easily understood language pursuant to uniform reporting  
7 standards prescribed by the Oklahoma State Pension Commission for  
8 all state retirement systems. The report shall be submitted to the  
9 Governor, the Speaker of the House of Representatives, the President  
10 Pro Tempore of the Senate, the Oklahoma State Pension Commission and  
11 the members of the System. The annual report shall cover the  
12 operation of the System during the past fiscal year, including  
13 income, disbursements, and the financial condition of the System at  
14 the end of the fiscal year. The annual report shall also contain  
15 the information issued in the quarterly reports required pursuant to  
16 subsection G of this section as well as a summary of the results of  
17 the most recent actuarial valuation to include total assets, total  
18 liabilities, unfunded liability or over funded status, contributions  
19 and any other information deemed relevant by the Board of Trustees.  
20 The annual report shall be written in such a manner as to permit a  
21 readily understandable means for analyzing the financial condition  
22 and performance of the System for the fiscal year. ~~In order to~~  
23 ~~standardize the information and analysis of the financial condition~~

1 ~~of the System, the Board shall provide information regarding the~~  
2 ~~financial and actuarial condition of the System using assumptions or~~  
3 ~~requirements as hereinafter required for the report stating the~~  
4 ~~condition of the System as of July 1, 2002, and for each subsequent~~  
5 ~~reporting date, which information shall be contained in an appendix~~  
6 ~~or addendum to the annual report. For purposes other than the~~  
7 ~~reporting requirements contained in the appendix or addendum, all~~  
8 ~~actuarial and economic assumptions shall be those assumptions~~  
9 ~~adopted by the System in its annual actuarial valuation. The~~  
10 ~~appendix or addendum shall contain a statement of the financial~~  
11 ~~condition of the System:~~

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

15 ~~2. Using an actuarial assumption regarding cost-of-living~~  
16 ~~adjustments for the System of two percent (2%) annually;~~

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

21 ~~4. Which accurately and completely summarizes all sources of~~  
22 ~~system assets, other than employee contributions, which shall~~  
23 ~~include, but not be limited to, the total of all employer~~

1 ~~contributions, any dedicated tax or fee revenue of whatever kind or~~  
2 ~~however denominated, and the total amount of any other source of~~  
3 ~~revenue which accrues to the System, other than return on~~  
4 ~~investments, such as federal monies used for the purpose of making~~  
5 ~~employer contributions; and~~

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

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

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

20 SECTION 22. AMENDATORY 74 O.S. 2001, Section 942, as  
21 last amended by Section 1, Chapter 90, O.S.L. 2003 (74 O.S. Supp.  
22 2005, Section 942), is amended to read as follows:

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

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

- 12           a. combined and individual rates of return of the  
13 investment managers by category of investment, over  
14 periods of time,  
15           b. the data obtained pursuant to subparagraph a of this  
16 paragraph compared with similar data for a larger  
17 population of investment managers by asset class as  
18 well as by style of management,  
19           c. an analysis of the performance of the custodian bank  
20 or trust company of the System including, but not  
21 limited to, a specific review of the adequacy of the  
22 collateralization of the short-term interest-bearing  
23 investment vehicles placed by the custodian, and

- 1           d. any other information that the Commission may include;
- 2           2. Publish widely an annual comparative performance report in
- 3 simple and easily understood language containing:
- 4           a. on an individual and consolidated basis, an analysis
- 5 of the written investment plans developed by each
- 6 retirement system as required by law,
- 7           b. a qualitative and quantitative analysis of the
- 8 performance of the custodian employed by each
- 9 governing body of the retirement systems specified in
- 10 paragraph 1 of this subsection and the performance of
- 11 the Office of the State Treasurer with regard to
- 12 retirement system monies,
- 13           c. the result of the analyses prepared pursuant to
- 14 subparagraphs a and b of this paragraph compared with
- 15 similar data for a larger population,
- 16           d. recommendations on administrative and legislative
- 17 changes which are necessary to improve the performance
- 18 of the retirement systems in accordance with current
- 19 standards for large public fund portfolio management,
- 20           e. a summary of the results of the most recent actuarial
- 21 valuation to include total assets, total liabilities,
- 22 unfunded liability or over funded status,
- 23 contributions and any other information deemed

1 relevant by the Commission. The results shall be  
2 determined using the standards prescribed by the  
3 Government Accounting Standards Board or any successor  
4 entity, and

5 f. a listing by category of the expenses of the  
6 Commission;

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

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

22 B. The Commission shall distribute its reports and  
23 recommendations, ~~including a summary of the information provided to~~

1 ~~the Commission pursuant to subsection E of this section,~~ to the  
2 Governor, the President Pro Tempore of the Senate, the Speaker of  
3 the House of Representatives and the chairman and vice-chairman of  
4 the Joint Committee on Fiscal Operations. The Commission shall make  
5 the reports widely available to the members of the Legislature,  
6 members of the retirement systems and the general public.

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

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

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

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

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

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

5           a. sale or exchange, or leasing of any property from a  
6 retirement system to a party in interest for less than  
7 adequate consideration or from a party in interest to  
8 a retirement system for more than adequate  
9 consideration,

10          b. lending of money or other extension of credit from a  
11 retirement system to a party in interest without the  
12 receipt of adequate security and a reasonable rate of  
13 interest, or from a party in interest to a retirement  
14 system with provision of excessive security or an  
15 unreasonably high rate of interest,

16          c. furnishing of goods, services or facilities from a  
17 retirement system to a party in interest for less than  
18 adequate consideration, or from a party in interest to  
19 a retirement system for more than adequate  
20 consideration, or

21          d. transfer to, or use by or for the benefit of, a party  
22 in interest of any assets of a retirement system for  
23 less than adequate consideration.

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

3           a. deal with the assets of a retirement system in the  
4           fiduciary's own interest or for the fiduciary's own  
5           account,

6           b. in the fiduciary's individual or any other capacity  
7           act in any transaction involving a retirement system  
8           on behalf of a party whose interests are adverse to  
9           the interests of a retirement system or the interests  
10          of its participants or beneficiaries, or

11          c. receive any consideration for the fiduciary's own  
12          personal account from any party dealing with a  
13          retirement system in connection with a transaction  
14          involving the assets of a retirement system.

15          ~~E. In order to standardize the information and analysis of the~~  
16 ~~financial condition of each of the retirement systems, the Board of~~  
17 ~~Trustees of each retirement system making annual reports to the~~  
18 ~~Commission as required by law shall provide information regarding~~  
19 ~~the financial and actuarial condition of the System using~~  
20 ~~assumptions or requirements as hereinafter required for the report~~  
21 ~~stating the condition of the System as of July 1, 2002, and for each~~  
22 ~~subsequent reporting date, which information shall be contained in~~  
23 ~~an appendix or addendum to the annual report. For purposes other~~

1 ~~than the reporting requirements contained in the appendix or~~  
2 ~~addendum, all actuarial and economic assumptions shall be those~~  
3 ~~assumptions adopted by the respective retirement system in its~~  
4 ~~annual actuarial valuation. The appendix or addendum shall contain~~  
5 ~~a statement of the financial condition of the retirement system:~~

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

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

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

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

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

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

6       SECTION 24. It being immediately necessary for the preservation  
7 of the public peace, health and safety, an emergency is hereby  
8 declared to exist, by reason whereof this act shall take effect and  
9 be in full force from and after its passage and approval.

10       COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS, dated 2-22-06 - DO  
11       PASS, As Amended and Coauthored.