

1 ENGROSSED HOUSE
2 BILL NO. 2357

By: Miller and Martin (Scott)
of the House

3 and

4 Johnson (Mike) and Myers of
5 the Senate

6
7
8 (public retirement systems - amending sections in
9 various titles - Oklahoma Police Pension and
10 Retirement Board - Legislative Service Bureau -
11 effective date -
12 emergency)

13
14
15 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

16 SECTION 1. AMENDATORY 11 O.S. 2001, Section 50-105.4, as
17 last amended by Section 3, Chapter 536, O.S.L. 2004 (11 O.S. Supp.
18 2009, Section 50-105.4), is amended to read as follows:

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

22 1. For the exclusive purpose of:

23 a. providing benefits to participants and their
24 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
24 behalf of the State Board in any circumstances whatsoever. No

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

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

21 E. Funds and revenues for investment by the investment managers
22 or the State Board shall be placed with a custodian selected by the
23 State Board. The custodian shall be a bank or trust company
24 offering pension fund master trustee and master custodial services.

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

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

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

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

22 1. Using an assumed rate of return of seven and one-half
23 percent (7.5%), net of investment expenses, per annum, compounded
24 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 H. The State Board shall adopt a cost of living adjustment
20 actuarial assumption in its annual actuarial valuation report.

21 SECTION 2. AMENDATORY 11 O.S. 2001, Section 49-100.9, as
22 last amended by Section 12, Chapter 46, 2nd Extraordinary Session,
23 O.S.L. 2006 (11 O.S. Supp. 2009, Section 49-100.9), is amended to
24 read as follows:

1 Section 49-100.9 A. The Oklahoma Firefighters Pension and
2 Retirement Board shall discharge their duties with respect to the
3 System solely in the interest of the participants and beneficiaries
4 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 State Board may procure insurance indemnifying the
20 members of the State Board from personal loss or accountability from
21 liability resulting from a member's action or inaction as a member
22 of the State Board.

23 C. The State Board may establish an investment committee. The
24 investment committee shall be composed of not more than five (5)

1 members of the State Board appointed by the chairman of the State
2 Board. The committee shall make recommendations to the full State
3 Board on all matters related to the choice of custodians and
4 managers of the assets of the System, on the establishment of
5 investment and fund management guidelines, and in planning future
6 investment policy. The committee shall have no authority to act on
7 behalf of the State Board in any circumstances whatsoever. No
8 recommendation of the committee shall have effect as an action of
9 the State Board nor take effect without the approval of the State
10 Board as provided by law.

11 D. The Board shall retain qualified investment managers to
12 provide for the investment of the monies of the System. The
13 investment managers shall be chosen by a solicitation of proposals
14 on a competitive bid basis pursuant to standards set by the State
15 Board. Subject to the overall investment guidelines set by the
16 State Board, the investment managers shall have full discretion in
17 the management of those monies of the System allocated to the
18 investment managers. The State Board shall manage those monies not
19 specifically allocated to the investment managers. The monies of
20 the System allocated to the investment managers shall be actively
21 managed by the investment managers, which may include selling
22 investments and realizing losses if such action is considered
23 advantageous to longer term return maximization. Because of the
24 total return objective, no distinction shall be made for management

1 and performance evaluation purposes between realized and unrealized
2 capital gains and losses.

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

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

22 G. The State Board shall compile a quarterly financial report
23 of all the funds of the System on a fiscal year basis. The report
24 shall be compiled pursuant to uniform reporting standards prescribed

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

13 H. After July 1 and before December 1 of each year, the State
14 Board shall publish widely an annual report presented in simple and
15 easily understood language pursuant to uniform reporting standards
16 prescribed by the Oklahoma State Pension Commission for all state
17 retirement systems. The report shall be submitted to the Governor,
18 the Speaker of the House of Representatives, the President Pro
19 Tempore of the Senate, the Oklahoma State Pension Commission, the
20 Legislative Service Bureau and the members of the System. The
21 annual report shall cover the operation of the System during the
22 past fiscal year, including income, disbursements, and the financial
23 condition of the System at the end of the fiscal year. The annual
24 report shall also contain the information issued in the quarterly

1 reports required pursuant to subsection G of this section as well as
2 a summary of the results of the most recent actuarial valuation to
3 include total assets, total liabilities, unfunded liability or over
4 funded status, contributions and any other information deemed
5 relevant by the State Board. The annual report shall be written in
6 such a manner as to permit a readily understandable means for
7 analyzing the financial condition and performance of the System for
8 the fiscal year. In order to standardize the information and
9 analysis of the financial condition of the System, the Board shall
10 provide information regarding the financial and actuarial condition
11 of the System using assumptions or requirements as hereinafter
12 required for the report stating the condition of the System as of
13 July 1, 2002, and for each subsequent reporting date, which
14 information shall be contained in an appendix or addendum to the
15 annual report. For purposes other than the reporting requirements
16 contained in the appendix or addendum, all actuarial and economic
17 assumptions shall be those assumptions adopted by the System in its
18 annual actuarial valuation. The appendix or addendum shall contain
19 a statement of the financial 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;

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

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

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

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

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

1 SECTION 3. AMENDATORY 20 O.S. 2001, Section 1108, as
2 last amended by Section 11, Chapter 415, O.S.L. 2008 (20 O.S. Supp.
3 2009, 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
24 liabilities with respect to members and their beneficiaries shall

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

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

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

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

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

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

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

15 B. The Board of Trustees of the Oklahoma Public Employees
16 Retirement System shall compile a quarterly financial report of all
17 the funds of the State Judicial Retirement Fund on a fiscal year
18 basis. The report shall be compiled pursuant to uniform reporting
19 standards prescribed by the Oklahoma State Pension Commission for
20 all state retirement systems. The report shall include several
21 relevant measures of investment value, including acquisition cost
22 and current fair market value with appropriate summaries of total
23 holdings and returns. The report shall contain combined and
24 individual rate of returns of the investment managers by category of

1 investment, over periods of time. The Board of Trustees shall
2 include in the quarterly reports all commissions, fees or payments
3 for investment services performed on behalf of the Board of Trustees
4 with respect to the State Judicial Retirement Fund. The report
5 shall be distributed to the Governor, the Oklahoma State Pension
6 Commission, the Legislative Service Bureau, the Speaker of the House
7 of Representatives and the President Pro Tempore of the Senate. In
8 lieu of compiling and distributing the quarterly report, the Board
9 may provide the Pension Commission with direct access to the same
10 data from the custodian bank for the System.

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
24

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, the
11 Legislative Service Bureau and the members of the System. The
12 annual report shall cover the operation of the System during the
13 past fiscal year, including income, disbursements, and the financial
14 condition of the System at the end of the fiscal year. The annual
15 report shall also contain the information issued in the quarterly
16 reports required pursuant to subsection B of this section as well as
17 a summary of the results of the most recent actuarial valuation to
18 include total assets, total liabilities, unfunded liability or
19 overfunded status, contributions and any other information deemed
20 relevant by the Board of Trustees. The annual report shall be
21 written in such a manner as to permit a readily understandable means
22 for analyzing the financial condition and performance of the System
23 for the fiscal year. In order to standardize the information and
24 analysis of the financial condition of the System, the Board shall

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

1 revenue which accrues to the System, other than return on
2 investments, such as federal monies used for the purpose of making
3 employer contributions; and

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

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

10 SECTION 4. AMENDATORY 47 O.S. 2001, Section 2-303.1, as
11 last amended by Section 2, Chapter 142, O.S.L. 2005 (47 O.S. Supp.
12 2009, Section 2-303.1), is amended to read as follows:

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

16 1. For the exclusive purpose of:

17 a. providing benefits to participants and their
18 beneficiaries, and

19 b. defraying reasonable expenses of administering the
20 System;

21 2. With the care, skill, prudence, and diligence under the
22 circumstances then prevailing that a prudent person acting in a like
23 capacity and familiar with such matters would use in the conduct of
24 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 may procure insurance indemnifying the members of
7 the Board from personal loss or accountability from liability
8 resulting from a member's action or inaction as a member of the
9 Board.

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

21 D. The Board shall retain qualified investment managers to
22 provide for the investment of the monies of the System. The
23 investment managers shall be chosen by a solicitation of proposals
24 on a competitive bid basis pursuant to standards set by the Board.

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

12 E. All assets of the System shall be held in trust for the
13 exclusive purpose of providing benefits for the members and
14 beneficiaries of the System, including defraying reasonable expenses
15 of administering the System, and shall not be encumbered for or
16 diverted to any other purposes. Funds and revenues for investment
17 by the investment managers or the Board shall be placed with a
18 custodian selected by the Board. The custodian shall be a bank or
19 trust company offering pension fund master trustee and master
20 custodial services. The custodian shall be chosen by a solicitation
21 of proposals on a competitive bid basis pursuant to standards set by
22 the Board. In compliance with the investment policy guidelines of
23 the Board, the custodian bank or trust company shall be
24 contractually responsible for ensuring that all monies of the System

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

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

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

1 H. After July 1 and before October 31 of each year, the Board
2 shall publish widely an annual report presented in simple and easily
3 understood language pursuant to uniform reporting standards
4 prescribed by the Oklahoma State Pension Commission for all state
5 retirement systems. The report shall be submitted to the Governor,
6 the Speaker of the House of Representatives, the President Pro
7 Tempore of the Senate, the Oklahoma State Pension Commission, the
8 Legislative Service Bureau and the members of the System. The
9 annual report shall cover the operation of the System during the
10 past fiscal year, including income, disbursements, and the financial
11 condition of the System at the end of the fiscal year. The annual
12 report shall also contain the information issued in the quarterly
13 reports required pursuant to subsection G of this section as well as
14 a summary of the results of the most recent actuarial valuation to
15 include total assets, total liabilities, unfunded liability or over
16 funded status, contributions and any other information deemed
17 relevant by the Board. The annual report shall be written in such a
18 manner as to permit a readily understandable means for analyzing the
19 financial condition and performance of the System for the fiscal
20 year. The annual financial statements must be audited and filed in
21 accordance with the requirements set forth for financial statement
22 audits in Section 212A of Title 74 of the Oklahoma Statutes. In
23 order to standardize the information and analysis of the financial
24 condition of the System, the Board shall provide information

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

1 revenue which accrues to the System, other than return on
2 investments, such as federal monies used for the purpose of making
3 employer contributions; and

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

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

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

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

24

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

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

8 SECTION 5. AMENDATORY 70 O.S. 2001, Section 17-106.1, as
9 last amended by Section 31, Chapter 46, 2nd Extraordinary Session,
10 O.S.L. 2006 (70 O.S. Supp. 2009, Section 17-106.1), is amended to
11 read as follows:

12 Section 17-106.1 A. The Board of Trustees of the Teachers'
13 Retirement System of Oklahoma shall discharge their duties with
14 respect to the System solely in the interest of the participants and
15 beneficiaries and:

16 1. For the exclusive purpose of:

17 a. providing benefits to participants and their
18 beneficiaries, and

19 b. defraying reasonable expenses of administering the
20 System;

21 2. With the care, skill, prudence, and diligence under the
22 circumstances then prevailing that a prudent person acting in a like
23 capacity and familiar with such matters would use in the conduct of
24 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.

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 may retain qualified investment
23 managers to provide for the investment of the monies of the System.
24 The investment managers shall be chosen by a solicitation of

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

14 E. Funds and revenues for investment by the investment managers
15 or the Board of Trustees shall be placed with a custodian selected
16 by the Board of Trustees. The custodian shall be a bank or trust
17 company offering pension fund master trustee and master custodial
18 services. The custodian shall be chosen by a solicitation of
19 proposals on a competitive bid basis pursuant to standards set by
20 the Board of Trustees. In compliance with the investment policy
21 guidelines of the Board of Trustees, the custodian bank or trust
22 company shall be contractually responsible for ensuring that all
23 monies of the System are invested in income-producing investment
24 vehicles at all times. If a custodian bank or trust company has not

1 received direction from the investment managers of the System as to
2 the investment of the monies of the System in specific investment
3 vehicles, the custodian bank or trust company shall be contractually
4 responsible to the Board of Trustees for investing the monies in
5 appropriately collateralized short-term interest-bearing investment
6 vehicles.

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

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

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

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

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

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

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

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

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

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

8 SECTION 6. AMENDATORY 74 O.S. 2001, Section 909.1, as
9 last amended by Section 8, Chapter 415, O.S.L. 2008 (74 O.S. Supp.
10 2009, Section 909.1), is amended to read as follows:

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

15 1. For the exclusive purpose of:

16 a. providing benefits to participants and their
17 beneficiaries, and

18 b. defraying reasonable expenses of administering the
19 System;

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

24

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.
24 The investment managers shall be chosen by a solicitation of

1 proposals on a competitive bid basis pursuant to standards set by
2 the Board of Trustees. Subject to the overall investment guidelines
3 set by the Board of Trustees, the investment managers shall have
4 full discretion in the management of those monies of the System
5 allocated to the investment managers. The Board of Trustees shall
6 manage those monies not specifically allocated to the investment
7 managers. The monies of the System allocated to the investment
8 managers shall be actively managed by the investment managers, which
9 may include selling investments and realizing losses if such action
10 is considered advantageous to longer term return maximization.

11 Because of the total return objective, no distinction shall be made
12 for management and performance evaluation purposes between realized
13 and unrealized capital gains and losses.

14 E. Funds and revenues for investment by the investment managers
15 or the Board of Trustees shall be placed with a custodian selected
16 by the Board of Trustees. The custodian shall be a bank or trust
17 company offering pension fund master trustee and master custodial
18 services. The custodian shall be chosen by a solicitation of
19 proposals on a competitive basis pursuant to standards set by the
20 Board of Trustees. In compliance with the investment policy
21 guidelines of the Board of Trustees, the custodian bank or trust
22 company shall be contractually responsible for ensuring that all
23 monies of the System are invested in income-producing investment
24 vehicles at all times. If a custodian bank or trust company has not

1 received direction from the investment managers of the System as to
2 the investment of the monies of the System in specific investment
3 vehicles, the custodian bank or trust company shall be contractually
4 responsible to the Board of Trustees for investing the monies in
5 appropriately collateralized short-term interest-bearing investment
6 vehicles.

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

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

1 lieu of compiling and distributing the quarterly report, the Board
2 may provide the Pension Commission with direct access to the same
3 data from the custodian bank for the System.

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,
11 the Legislative Service Bureau and the members of the System. The
12 annual report shall cover the operation of the System during the
13 past fiscal year, including income, disbursements, and the financial
14 condition of the System at the end of the fiscal year. The annual
15 report shall also contain the information issued in the quarterly
16 reports required pursuant to subsection G of this section as well as
17 a summary of the results of the most recent actuarial valuation to
18 include total assets, total liabilities, unfunded liability or over
19 funded status, contributions and any other information deemed
20 relevant by the Board of Trustees. The annual report shall be
21 written in such a manner as to permit a readily understandable means
22 for analyzing the financial condition and performance of the System
23 for the fiscal year. In order to standardize the information and
24 analysis of the financial condition of the System, the Board shall

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

1 revenue which accrues to the System, other than return on
2 investments, such as federal monies used for the purpose of making
3 employer contributions; and

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

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

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

18 SECTION 7. This act shall become effective July 1, 2010.

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

23

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1 Passed the House of Representatives the 10th day of February,
2 2010.

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5 Presiding Officer of the House of
6 Representatives

7 Passed the Senate the ____ day of _____, 2010.

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10 Presiding Officer of the Senate

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