

STATE OF OKLAHOMA

2nd Session of the 52nd Legislature (2010)

HOUSE BILL 2357

By: Miller and Martin (Scott)
of the House

and

Johnson (Mike) and Myers of
the SenateAS INTRODUCED

An Act relating to public retirement systems; amending 11 O.S. 2001, Section 50-105.4, as last amended by Section 3, Chapter 536, O.S.L. 2004 (11 O.S. Supp. 2009, Section 50-105.4), which relates to the duties of the Oklahoma Police Pension and Retirement Board; requiring submission of annual report to the Legislative Service Bureau; amending 11 O.S. 2001, Section 49-100.9, as last amended by Section 12, Chapter 46, 2nd Extraordinary Session, O.S.L. 2006 (11 O.S. Supp. 2009, Section 49-100.9), which relates to the duties of the Oklahoma Firefighters Pension and Retirement Board; requiring submission of annual report to the Legislative Service Bureau; amending 20 O.S. 2001, Section 1108, as last amended by Section 11, Chapter 415, O.S.L. 2008 (20 O.S. Supp. 2009, Section 1108), which relates to the duties of the Board of Trustees of the Oklahoma Public Employees Retirement System with relation to management of the Uniform Retirement System for Justices and Judges; requiring submission of annual report to the Legislative Service Bureau; amending 47 O.S. 2001, Section 2-303.1, as last amended by Section 2, Chapter 142, O.S.L. 2005 (47 O.S. Supp. 2009, Section 2-303.1), which relates to the duties of the Oklahoma Law Enforcement Retirement Board; requiring submission of annual report to the Legislative Service Bureau; amending 70 O.S. 2001, Section 17-106.1, as last amended by Section 31, Chapter 46, 2nd Extraordinary Session, O.S.L. 2006 (70 O.S. Supp. 2009, Section 17-

1 106.1), which relates to the duties of the Board of
2 Trustees of the Teachers' Retirement System of
3 Oklahoma; requiring submission of annual report to the
4 Legislative Service Bureau; amending 74 O.S. 2001,
5 Section 909.1, as last amended by Section 8, Chapter
6 415, O.S.L. 2008 (74 O.S. Supp. 2009, Section 909.1),
7 which relates to the duties of the Oklahoma Public
8 Employees Retirement System Board of Trustees;
9 requiring submission of annual report to the
10 Legislative Service Bureau; providing an effective
11 date; and declaring an emergency.

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

10 SECTION 1. AMENDATORY 11 O.S. 2001, Section 50-105.4, as
11 last amended by Section 3, Chapter 536, O.S.L. 2004 (11 O.S. Supp.
12 2009, Section 50-105.4), is amended to read as follows:

13 Section 50-105.4 A. The Oklahoma Police Pension and Retirement
14 Board shall discharge their 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 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 State Board shall retain qualified investment managers
23 to provide for the investment of the monies of the System. The
24 investment managers shall be chosen by a solicitation of proposals

1 on a competitive bid basis pursuant to standards set by the State
2 Board unless the State Board deems it necessary and prudent to do
3 otherwise to fulfill its fiduciary responsibility. Subject to the
4 overall investment guidelines set by the State Board, the investment
5 managers shall have full discretion in the management of those
6 monies of the System allocated to the investment managers. The
7 State Board shall manage those monies not specifically allocated to
8 the investment managers. The monies of the System allocated to the
9 investment managers shall be actively managed by the investment
10 managers, which may include selling investments and realizing losses
11 if such action is considered advantageous to longer term return
12 maximization. Because of the total return objective, no distinction
13 shall be made for management and performance evaluation purposes
14 between realized and unrealized 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 basis pursuant to standards set by the State Board. In
21 compliance with the investment policy guidelines of the State Board,
22 the custodian bank or trust company shall be contractually
23 responsible for ensuring that all monies of the System are invested
24 in income-producing investment vehicles at all times. If a

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

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

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

1 annual report shall be written in such a manner as to permit a
2 readily understandable means for analyzing the financial condition
3 and performances of the System for the fiscal year. In order to
4 standardize the information and analysis of the financial condition
5 of the System, the Board shall provide information regarding the
6 financial and actuarial condition of the System using assumptions or
7 requirements as hereinafter required for the report stating the
8 condition of the System as of July 1, 2002, and for each subsequent
9 reporting date, which information shall be contained in an appendix
10 or addendum to the annual report. For purposes other than the
11 reporting requirements contained in the appendix or addendum, all
12 actuarial and economic assumptions shall be those assumptions
13 adopted by the System in its annual actuarial valuation. The
14 appendix or addendum shall contain a statement of the financial
15 condition of the System:

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

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

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

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

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

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

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

19 Section 49-100.9 A. The Oklahoma Firefighters Pension and
20 Retirement Board shall discharge their duties with respect to the
21 System solely in the interest of the participants and beneficiaries
22 and:

23 1. For the exclusive purpose of:
24

- 1 a. providing benefits to participants and their
- 2 beneficiaries, and
- 3 b. defraying reasonable expenses of administering the
- 4 System;

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

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

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

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

18 C. The State Board may establish an investment committee. The
19 investment committee shall be composed of not more than five (5)
20 members of the State Board appointed by the chairman of the State
21 Board. The committee shall make recommendations to the full State
22 Board on all matters related to the choice of custodians and
23 managers of the assets of the System, on the establishment of
24 investment and fund management guidelines, and in planning future

1 investment policy. The committee shall have no authority to act on
2 behalf of the State Board in any circumstances whatsoever. No
3 recommendation of the committee shall have effect as an action of
4 the State Board nor take effect without the approval of the State
5 Board as provided by law.

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

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

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

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

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

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

1 such a manner as to permit a readily understandable means for
2 analyzing the financial condition and performance of the System for
3 the fiscal year. In order to standardize the information and
4 analysis of the financial condition of the System, the Board shall
5 provide information regarding the financial and actuarial condition
6 of the System using assumptions or requirements as hereinafter
7 required for the report stating the condition of the System as of
8 July 1, 2002, and for each subsequent reporting date, which
9 information shall be contained in an appendix or addendum to the
10 annual report. For purposes other than the reporting requirements
11 contained in the appendix or addendum, all actuarial and economic
12 assumptions shall be those assumptions adopted by the System in its
13 annual actuarial valuation. The appendix or addendum shall contain
14 a statement of the financial condition of the System:

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

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

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

24

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

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

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

19 SECTION 3. AMENDATORY 20 O.S. 2001, Section 1108, as
20 last amended by Section 11, Chapter 415, O.S.L. 2008 (20 O.S. Supp.
21 2009, Section 1108), is amended to read as follows:

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

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

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

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

24

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

8 4. The Board shall establish rules for the administration of
9 the System and for the transaction of its business consistent with
10 law, which rules shall be promulgated in compliance with the
11 Administrative Procedures Act.

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

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

20 7. Any person who shall knowingly make any false statement, or
21 who shall falsify or permit to be falsified any record necessary for
22 carrying out the intent of this act for the purpose of committing
23 fraud, shall be guilty of a misdemeanor, and upon conviction shall
24 be punished by a fine not exceeding Five Hundred Dollars (\$500.00)

1 or by imprisonment for not exceeding one (1) year. Should any error
2 in any records of the Uniform Retirement System for Justices and
3 Judges result in any member or beneficiary receiving more or less
4 than he or she would have been entitled to receive had the records
5 been correct, the Board shall correct such error, and, as far as
6 practicable, make future payments in such manner that the actuarial
7 equivalent of the benefit to which such member or beneficiary was
8 entitled shall be paid, and to this end, may recover any
9 overpayments.

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

1 Commission, the Legislative Service Bureau, the Speaker of the House
2 of Representatives and the President Pro Tempore of the Senate. In
3 lieu of compiling and distributing the quarterly report, the Board
4 may provide the Pension Commission with direct access to the same
5 data from the custodian bank for the System.

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

21 D. After July 1 and before December 1 of each year, the Board
22 of Trustees of the Oklahoma Public Employees Retirement System shall
23 publish widely an annual report presented in simple and easily
24 understood language pursuant to uniform reporting standards

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

1 contained in the appendix or addendum, all actuarial and economic
2 assumptions shall be those assumptions adopted by the System in its
3 annual actuarial valuation. The appendix or addendum shall contain
4 a statement of the financial condition of the System:

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

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

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

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

22 5. Using an assumption that the unfunded actuarial accrued
23 liabilities of the System are amortized over a period of thirty (30)

24

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

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

5 SECTION 4. AMENDATORY 47 O.S. 2001, Section 2-303.1, as
6 last amended by Section 2, Chapter 142, O.S.L. 2005 (47 O.S. Supp.
7 2009, Section 2-303.1), is amended to read as follows:

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

11 1. For the exclusive purpose of:

12 a. providing benefits to participants and their
13 beneficiaries, and

14 b. defraying reasonable expenses of administering the
15 System;

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

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

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

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

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

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

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

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

1 Board for investing the monies in appropriately collateralized
2 short-term interest-bearing investment vehicles.

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

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

20 H. After July 1 and before October 31 of each year, the Board
21 shall publish widely an annual report presented in simple and easily
22 understood language pursuant to uniform reporting standards
23 prescribed by the Oklahoma State Pension Commission for all state
24 retirement systems. The report shall be submitted to the Governor,

1 the Speaker of the House of Representatives, the President Pro
2 Tempore of the Senate, the Oklahoma State Pension Commission, the
3 Legislative Service Bureau and the members of the System. The
4 annual report shall cover the operation of the System during the
5 past fiscal year, including income, disbursements, and the financial
6 condition of the System at the end of the fiscal year. The annual
7 report shall also contain the information issued in the quarterly
8 reports required pursuant to subsection G of this section as well as
9 a summary of the results of the most recent actuarial valuation to
10 include total assets, total liabilities, unfunded liability or over
11 funded status, contributions and any other information deemed
12 relevant by the Board. The annual report shall be written in such a
13 manner as to permit a readily understandable means for analyzing the
14 financial condition and performance of the System for the fiscal
15 year. The annual financial statements must be audited and filed in
16 accordance with the requirements set forth for financial statement
17 audits in Section 212A of Title 74 of the Oklahoma Statutes. In
18 order to standardize the information and analysis of the financial
19 condition of the System, the Board shall provide information
20 regarding the financial and actuarial condition of the System using
21 assumptions or requirements as hereinafter required for the report
22 stating the condition of the System as of July 1, 2002, and for each
23 subsequent reporting date, which information shall be contained in
24 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 System in its annual actuarial valuation.
4 The appendix or addendum shall contain a statement of the financial
5 condition of the 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 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 System, other than return on
21 investments, such as federal monies used for the purpose of making
22 employer contributions; and

23 5. Using an assumption that the unfunded actuarial accrued
24 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 may retain an attorney licensed to practice law in
4 this state. The attorney shall serve at the pleasure of the Board
5 for such compensation as set by the Board. The Attorney General
6 shall furnish such legal services as may be requested by the Board.

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

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

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

21 M. The Executive Director and such employees of the System as
22 the Executive Director may designate are hereby authorized to
23 prepare certified copies of records of the System and every such
24

1 certified copy shall be admissible in any proceeding in any court in
2 like manner as the original thereof.

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

7 Section 17-106.1 A. The Board of Trustees of the Teachers'
8 Retirement System of Oklahoma shall discharge their duties with
9 respect to the System solely in the interest of the participants and
10 beneficiaries and:

11 1. For the exclusive purpose of:

12 a. providing benefits to participants and their
13 beneficiaries, and

14 b. defraying reasonable expenses of administering the
15 System;

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

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

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

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

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

17 D. The Board of Trustees may retain qualified investment
18 managers to provide for the investment of the monies of the System.
19 The investment managers shall be chosen by a solicitation of
20 proposals on a competitive bid basis pursuant to standards set by
21 the Board of Trustees. Subject to the overall investment guidelines
22 set by the Board of Trustees, the investment managers shall have
23 full discretion in the management of those monies of the System
24 allocated to the investment managers. The Board of Trustees shall

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

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

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1 appropriately collateralized short-term interest-bearing investment
2 vehicles.

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

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

21 H. After July 1 and before December 1 of each year, the Board
22 of Trustees shall publish widely an annual report presented in
23 simple and easily understood language pursuant to uniform reporting
24 standards prescribed by the Oklahoma State Pension Commission for

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

1 assumptions shall be those assumptions adopted by the System in its
2 annual actuarial valuation. The appendix or addendum shall contain
3 a statement of the financial 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)
23 years, in a manner consistent with the Governmental Accounting
24 Standards Board Statement Number 25.

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

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

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

11 1. For the exclusive purpose of:

12 a. providing benefits to participants and their
13 beneficiaries, and

14 b. defraying reasonable expenses of administering the
15 System;

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

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

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

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

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

17 D. The Board of Trustees shall retain qualified investment
18 managers to provide for the investment of the monies of the System.
19 The investment managers shall be chosen by a solicitation of
20 proposals on a competitive bid basis pursuant to standards set by
21 the Board of Trustees. Subject to the overall investment guidelines
22 set by the Board of Trustees, the investment managers shall have
23 full discretion in the management of those monies of the System
24 allocated to the investment managers. The Board of Trustees shall

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

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

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1 appropriately collateralized short-term interest-bearing investment
2 vehicles.

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

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

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

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

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

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

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21 52-2-9407 JM 01/04/10
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THOMAS E. CUMMINS CONSULTING ACTUARY, INC.
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January 5, 2010

Representative Miller
Room 432-D

Representative S. Martin
Room 335

Re: RBH No. 9407

RBH No. 9407 adds the Legislative Service Bureau as a recipient of Summary Report each state retirement must provide. Currently the report is filed with the Speaker of the House, Pro Tempore of the Senate, and the Oklahoma State Pension Commission.

RBH No. 9407 is a nonfiscal retirement bill as defined by the Oklahoma Pension Legislation Actuarial Analysis Act.

Thomas E. Cummins

Thomas E. Cummins, MAAA