

STATE OF OKLAHOMA

2nd Session of the 53rd Legislature (2012)

CONFERENCE COMMITTEE  
SUBSTITUTE  
FOR ENGROSSED  
HOUSE BILL NO. 2320

By: McDaniel (Randy) and  
Pittman of the House

and

Anderson of the Senate

COMMITTEE SUBSTITUTE

An Act relating to public retirement systems;  
amending 70 O.S. 2011, Section 17-106.1, which  
relates to the Teachers' Retirement System of  
Oklahoma; modifying provisions related to authorized  
investments; imposing limitation on investment of  
total assets; modifying provisions related to  
assumptions for cost-of-living adjustments; providing  
an effective date; and declaring an emergency.

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

SECTION 1. AMENDATORY 70 O.S. 2011, Section 17-106.1, is  
amended to read as follows:

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

1. For the exclusive purpose of:

- 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 Board of Trustees of the Teachers' Retirement System of  
15 Oklahoma may invest the assets of the System in real property owned  
16 or to be acquired by the State of Oklahoma. It is further  
17 authorized to acquire, exchange, and grant any real property under  
18 its jurisdiction as is necessary to carry out the investment in the  
19 real property. The Board of Trustees of the Teachers' Retirement  
20 System of Oklahoma is authorized to invest not more than ten percent  
21 (10%) of the total value of assets of the system in connection with  
22 such investments. Limitations on investment of the assets of the  
23 system provided herein shall be determined as of the date of its  
24 making or acquisition.

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

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

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

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

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

3 ~~F.~~ G. 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.~~ H. 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.~~ I. After July 1 and before December 1 of each year, the  
22 Board 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 and  
4 the members of the System. The annual report shall cover the  
5 operation of the System during the past fiscal year, including  
6 income, disbursements, and the financial condition of the System at  
7 the end of the fiscal year. The annual report shall also contain  
8 the information issued in the quarterly reports required pursuant to  
9 subsection G H of this section as well as a summary of the results  
10 of the most recent actuarial valuation to include total assets,  
11 total liabilities, unfunded liability or over funded status,  
12 contributions and any other information deemed relevant by the Board  
13 of Trustees. The annual report shall be written in such a manner as  
14 to permit a readily understandable means for analyzing the financial  
15 condition and performance of the System for the fiscal year.

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

19 SECTION 2. This act shall become effective July 1, 2012.

20 SECTION 3. It being immediately necessary for the preservation  
21 of the public peace, health and safety, an emergency is hereby  
22  
23  
24

1 declared to exist, by reason whereof this act shall take effect and  
2 be in full force from and after its passage and approval.

3

4 53-2-10551 MAH 05/18/12

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24