

STATE OF OKLAHOMA

1st Session of the 53rd Legislature (2011)

CONFERENCE COMMITTEE SUBSTITUTE
FOR ENGROSSED

SENATE BILL 782

By: Mazzei of the Senate

and

McDaniel (Randy) of the
House

CONFERENCE COMMITTEE SUBSTITUTE

An Act relating to retirement systems; amending Section 9, Chapter 292, O.S.L. 2006, as amended by Section 10, Chapter 367, O.S.L. 2007 (62 O.S. Supp. 2010, Section 3109), which relates to the Oklahoma Pension Legislation Actuarial Analysis Act; modifying date to submit actuarial investigation; 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. 2010, Section 49-100.9), which relates to the Oklahoma Firefighters Pension and Retirement System; 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. 2010, Section 50-105.4), which relates to the Oklahoma Police Pension and Retirement System; amending 20 O.S. 2001, Section 1108, as last amended by Section 11, Chapter 415, O.S.L. 2008 (20 O.S. Supp. 2010, Section 1108), which relates to the Uniform Retirement System for Justices and Judges; 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. 2010, Section 2-303.1), which relates to the Oklahoma Law Enforcement Retirement System; 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. 2010, Section 17-106.1), which relates to the Teachers' Retirement System of Oklahoma; amending 74 O.S. 2001, Section 909.1, as last amended by Section

1 8, Chapter 415, O.S.L. 2008 (74 O.S. Supp. 2010,
2 Section 909.1), which relates to the Oklahoma Public
3 Employees Retirement System; amending 74 O.S. 2001,
4 Section 942, as last amended by Section 1, Chapter
5 90, O.S.L. 2003 (74 O.S. Supp. 2010, Section 942),
6 which relates to the Oklahoma State Pension
7 Commission; eliminating the reporting of certain
8 information by the state retirement systems to the
9 Oklahoma State Pension Commission; and providing an
10 effective date.

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

12 SECTION 1. AMENDATORY Section 9, Chapter 292, O.S.L.
13 2006, as amended by Section 10, Chapter 367, O.S.L. 2007 (62 O.S.
14 Supp. 2010, Section 3109), is amended to read as follows:

15 Section 3109. A. If an actuarial investigation of a retirement
16 bill having a fiscal impact is requested under Section 3108 of this
17 title, it shall be the duty of the Legislative Actuary to complete
18 or cause to be completed such actuarial investigation by not later
19 than ~~November~~ December 1 of the same year during which the request
20 for the actuarial investigation was made. The actuarial
21 investigation shall include, but shall not be limited to, findings
22 on the following factors as such factors are relevant to the
23 retirement bill under consideration:

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

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

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

5 4. A statement of the employer contribution rate necessary for
6 the retirement system to receive the required annual employer
7 contributions consistent with the most recently available valuation
8 report prepared by the actuary employed by the retirement system
9 affected by the bill;

10 5. A statement of the dollar amount of the increase in the
11 annual employer contribution, if an existing retirement system is
12 affected by the bill, or a statement of the total annual employer
13 contribution, if a new retirement system is established by the bill,
14 which will be necessary to maintain the retirement system affected
15 or established by the bill in an actuarially sound condition thereby
16 creating no increase in unfunded liability as defined by the most
17 recent actuarial evaluation of an existing system; and

18 6. A statement of the effect on the funded ratio for the
19 retirement system affected by the bill.

20 B. By not later than ~~November~~ December 1 of the same year that
21 the request for an actuarial investigation was made, the completed
22 actuarial investigation shall be submitted by the Legislative
23 Actuary to the chair of the committee who requested it along with a
24

1 summary of the actuarial investigation which shall include the
2 relevant findings specified in subsection A of this section.

3 C. The chair of the committee, upon receipt of the information
4 provided for under subsection B of this section, shall cause the
5 summary of the actuarial investigation to be attached to all copies
6 of the version of the bill submitted to the Legislative Actuary and
7 made available to committee members, other legislators and any other
8 interested parties. The original summary of the actuarial
9 investigation shall be attached to the original version of the
10 substitute bill, as amended by the committee under Section 3108 of
11 this title, if applicable, or to the original version of the bill as
12 introduced if the bill was not changed by the committee prior to its
13 submission to the Legislative Actuary for an actuarial
14 investigation.

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. 2010, 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 and the
15 members of the System. The annual report shall cover the operation
16 of the System during the past fiscal year, including income,
17 disbursements, and the financial condition of the System at the end
18 of the fiscal year. The annual report shall also contain the
19 information issued in the quarterly reports required pursuant to
20 subsection G of this section as well as a summary of the results of
21 the most recent actuarial valuation to include total assets, total
22 liabilities, unfunded liability or over funded status, contributions
23 and any other information deemed relevant by the State Board. The
24 annual report shall be written in such a manner as to permit a

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

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 11 O.S. 2001, Section 50-105.4, as
20 last amended by Section 3, Chapter 536, O.S.L. 2004 (11 O.S. Supp.
21 2010, Section 50-105.4), is amended to read as follows:

22 Section 50-105.4. A. The Oklahoma Police Pension and
23 Retirement Board shall discharge their duties with respect to the
24

1 System solely in the interest of the participants and beneficiaries
2 and:

3 1. For the exclusive purpose of:

4 a. providing benefits to participants and their
5 beneficiaries, and

6 b. defraying reasonable expenses of administering the
7 System;

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

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

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

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

21 C. The State Board may establish an investment committee. The
22 investment committee shall be composed of not more than five (5)
23 members of the State Board appointed by the chairman of the State
24 Board. The committee shall make recommendations to the full State

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

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

1 shall be made for management and performance evaluation purposes
2 between realized and unrealized 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 basis pursuant to standards set by the State Board. In
9 compliance with the investment policy guidelines of the State Board,
10 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. After July 1 and before November 1 of each year, the State
23 Board shall publish widely an annual report presented in simple and
24 easily 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 and the
5 members of the System. The annual report shall cover the operation
6 of the System during the past fiscal year, including income,
7 disbursements, and the financial condition of the System at the end
8 of the fiscal year. The annual report shall also contain a summary
9 of the results of the most recent actuarial valuation to include
10 total assets, total liabilities, unfunded liability or over funded
11 status, contributions and any other information deemed relevant by
12 the State 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 performances of the System for the fiscal
15 year. ~~In order to standardize the information and analysis of the~~
16 ~~financial condition of the System, the Board shall provide~~
17 ~~information regarding the financial and actuarial condition of the~~
18 ~~System using assumptions or requirements as hereinafter required for~~
19 ~~the report stating the condition of the System as of July 1, 2002,~~
20 ~~and for each subsequent reporting date, which information shall be~~
21 ~~contained in an appendix or addendum to the annual report. For~~
22 ~~purposes other than the reporting requirements contained in the~~
23 ~~appendix or addendum, all actuarial and economic assumptions shall~~
24 ~~be those assumptions adopted by the System in its annual actuarial~~

1 ~~valuation. The appendix or addendum shall contain a statement of~~
2 ~~the financial condition of the System:~~

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

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

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

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

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

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

3 SECTION 4. AMENDATORY 20 O.S. 2001, Section 1108, as
4 last amended by Section 11, Chapter 415, O.S.L. 2008 (20 O.S. Supp.
5 2010, Section 1108), is amended to read as follows:

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

23 1. The Board shall distribute the corpus and income of the
24 System to the members and their beneficiaries in accordance with the

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

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

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

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

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

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

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

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

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

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

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

1 promulgate such rules as are necessary to implement the funding and
2 administration of the fund pursuant to the provisions of this
3 subsection.

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

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

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

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

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

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

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

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

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

11 SECTION 5. AMENDATORY 47 O.S. 2001, Section 2-303.1, as
12 last amended by Section 2, Chapter 142, O.S.L. 2005 (47 O.S. Supp.
13 2010, Section 2-303.1), is amended to read as follows:

14 Section 2-303.1.

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

- 18 1. For the exclusive purpose of:
 - 19 a. providing benefits to participants and their
 - 20 beneficiaries, and
 - 21 b. defraying reasonable expenses of administering the
 - 22 System;
- 23 2. With the care, skill, prudence, and diligence under the
- 24 circumstances then prevailing that a prudent person acting in a like

1 capacity and familiar with such matters would use in the conduct of
2 an enterprise of a like character and with like aims;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21 K. Effective July 1, 1999, the Board is hereby authorized to do
22 all acts and things necessary and proper to carry out the purpose of
23 the System and to make the least costly amendments and changes, if
24

1 any, as may be necessary to qualify the System under the applicable
2 sections of the Internal Revenue Code of 1986, as amended.

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

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

10 SECTION 6. AMENDATORY 70 O.S. 2001, Section 17-106.1, as
11 last amended by Section 31, Chapter 46, 2nd Extraordinary Session,
12 O.S.L. 2006 (70 O.S. Supp. 2010, Section 17-106.1), is amended to
13 read as follows:

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

18 1. For the exclusive purpose of:

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

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

23 2. With the care, skill, prudence, and diligence under the
24 circumstances then prevailing that a prudent person acting in a like

1 capacity and familiar with such matters would use in the conduct of
2 an enterprise of a like character and with like aims;

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

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

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

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

24

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

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

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

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

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

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

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

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

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

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

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

20 ~~4. Which accurately and completely summarizes all sources of~~
21 ~~system assets, other than employee contributions, which shall~~
22 ~~include, but not be limited to, the total of all employer~~
23 ~~contributions, any dedicated tax or fee revenue of whatever kind or~~
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 of Trustees shall adopt a cost of living
9 adjustment actuarial assumption in its annual actuarial valuation
10 report.

11 SECTION 7. AMENDATORY 74 O.S. 2001, Section 909.1, as
12 last amended by Section 8, Chapter 415, O.S.L. 2008 (74 O.S. Supp.
13 2010, Section 909.1), is amended to read as follows:

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

18 1. For the exclusive purpose of:

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

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

23 2. With the care, skill, prudence, and diligence under the
24 circumstances then prevailing that a prudent person acting in a like

1 capacity and familiar with such matters would use in the conduct of
2 an enterprise of a like character and with like aims;

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

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

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

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

24

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

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

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

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

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

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

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

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

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

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

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

23 4. ~~Which accurately and completely summarizes all sources of~~
24 ~~system assets, other than employee contributions, which shall~~

1 ~~include, but not be limited to, the total of all employer~~
2 ~~contributions, any dedicated tax or fee revenue of whatever kind or~~
3 ~~however denominated, and the total amount of any other source of~~
4 ~~revenue which accrues to the System, other than return on~~
5 ~~investments, such as federal monies used for the purpose of making~~
6 ~~employer contributions; and~~

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

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

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

21 SECTION 8. AMENDATORY 74 O.S. 2001, Section 942, as last
22 amended by Section 1, Chapter 90, O.S.L. 2003 (74 O.S. Supp. 2010,
23 Section 942), is amended to read as follows:

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

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

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

1 2. Publish widely an annual comparative performance report in
2 simple and easily understood language containing:

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

1 Government Accounting Standards Board or any successor
2 entity, and

3 f. a listing by category of the expenses of the
4 Commission;

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

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

20 B. The Commission shall distribute its reports and
21 recommendations, ~~including a summary of the information provided to~~
22 ~~the Commission pursuant to subsection E of this section,~~ to the
23 Governor, the President Pro Tempore of the Senate, the Speaker of
24 the House of Representatives and the chairman and vice-chairman of

1 the Joint Committee on Fiscal Operations. The Commission shall make
2 the reports widely available to the members of the Legislature,
3 members of the retirement systems and the general public.

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

9 1. Shall be experienced in providing unbiased third-party
10 consulting services;

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

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

17 D. For purposes of this subsection, pension fund management
18 consultants hired by the Commission are hereby considered
19 fiduciaries of the state retirement systems.

20 1. A fiduciary with respect to the state retirement systems
21 shall not cause or advise a retirement system to engage in a
22 transaction if the fiduciary knows or should know that such
23 transaction constitutes a direct or indirect:
24

- 1 a. sale or exchange, or leasing of any property from a
2 retirement system to a party in interest for less than
3 adequate consideration or from a party in interest to
4 a retirement system for more than adequate
5 consideration,
- 6 b. lending of money or other extension of credit from a
7 retirement system to a party in interest without the
8 receipt of adequate security and a reasonable rate of
9 interest, or from a party in interest to a retirement
10 system with provision of excessive security or an
11 unreasonably high rate of interest,
- 12 c. furnishing of goods, services or facilities from a
13 retirement system to a party in interest for less than
14 adequate consideration, or from a party in interest to
15 a retirement system for more than adequate
16 consideration, or
- 17 d. transfer to, or use by or for the benefit of, a party
18 in interest of any assets of a retirement system for
19 less than adequate consideration.

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

- 22 a. deal with the assets of a retirement system in the
23 fiduciary's own interest or for the fiduciary's own
24 account,

- 1 b. in the fiduciary's individual or any other capacity
2 act in any transaction involving a retirement system
3 on behalf of a party whose interests are adverse to
4 the interests of a retirement system or the interests
5 of its participants or beneficiaries, or
- 6 c. receive any consideration for the fiduciary's own
7 personal account from any party dealing with a
8 retirement system in connection with a transaction
9 involving the assets of a retirement system.

10 ~~E. In order to standardize the information and analysis of the~~
11 ~~financial condition of each of the retirement systems, the Board of~~
12 ~~Trustees of each retirement system making annual reports to the~~
13 ~~Commission as required by law shall provide information regarding~~
14 ~~the financial and actuarial condition of the System using~~
15 ~~assumptions or requirements as hereinafter required for the report~~
16 ~~stating the condition of the System as of July 1, 2002, and for each~~
17 ~~subsequent reporting date, which information shall be contained in~~
18 ~~an appendix or addendum to the annual report. For purposes other~~
19 ~~than the reporting requirements contained in the appendix or~~
20 ~~addendum, all actuarial and economic assumptions shall be those~~
21 ~~assumptions adopted by the respective retirement system in its~~
22 ~~annual actuarial valuation. The appendix or addendum shall contain~~
23 ~~a statement of the financial condition of the retirement system.~~

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

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

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

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

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

22 SECTION 9. This act shall become effective September 1, 2011.

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