

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 2nd Session of the 54th Legislature (2014)

4 COMMITTEE SUBSTITUTE
5 FOR ENGROSSED
6 SENATE BILL NO. 1691

By: Sparks of the Senate

and

Blackwell of the House

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10 COMMITTEE SUBSTITUTE

11 An Act relating to state retirement systems; amending
12 70 O.S. 2011, Section 17-106, as amended by Section
13 606, Chapter 304, O.S.L. 2012 (70 O.S. Supp. 2013,
14 Section 17-106), which relates to the Board of
15 Trustees of the Teachers' Retirement System of
16 Oklahoma; amending 74 O.S. 2011, Section 905, as last
17 amended by Section 2, Chapter 342, O.S.L. 2013 (74
18 O.S. Supp. 2013, Section 905), which relates to the
19 Board of Trustees of the Oklahoma Public Employees
20 Retirement System; adding qualifications for
21 designees of members of the Boards; providing for
22 alternative qualifications; updating language;
23 providing an effective date; and declaring an
24 emergency.

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

SECTION 1. AMENDATORY 70 O.S. 2011, Section 17-106, as
amended by Section 606, Chapter 304, O.S.L. 2012 (70 O.S. Supp.
2013, Section 17-106), is amended to read as follows:

1 Section 17-106. (1) The general administration and
2 responsibility for the proper operation of the retirement system and
3 for making effective the provisions of ~~the act~~ Section 17-101 et
4 seq. of this title are hereby vested in a Board of Trustees which
5 shall be known as the Board of Trustees and shall be organized
6 immediately after a majority of the trustees provided for in this
7 section shall have qualified and taken the oath of office.

8 (2) The Board shall consist of the following members:

9 (a) The State Superintendent of Public Instruction, ex
10 officio or a designee who shall be a full-time
11 employee of the State Department of Education or
12 possess a background in accounting, finance or
13 education.

14 (b) The Director of the Office of Management and
15 Enterprise Services, ex officio or a designee who
16 shall be a full-time employee of the Office of
17 Management and Enterprise Services or possess a
18 background in accounting, finance or education.

19 (c) The Director of the Oklahoma Department of Career and
20 Technology Education, ex officio, ~~or his or her~~ a
21 designee who shall be a full-time employee of the
22 Oklahoma Department of Career and Technology Education
23 or possess a background in accounting, finance or
24 education.

- 1 (d) One member appointed by the Governor whose initial
2 term of office shall expire on January 14, 1991. The
3 members thereafter appointed by the Governor shall
4 serve a term of office of four (4) years which is
5 coterminous with the term of office of the office of
6 the appointing authority.
- 7 (e) Two members shall be appointed by the Governor of the
8 State of Oklahoma and approved by the Senate. The two
9 members shall be: 1. a representative of a school of
10 higher education in Oklahoma whose term of office
11 shall initially be one (1) year, and 2. a member of
12 the System of the nonclassified optional personnel
13 status whose initial term of office shall be two (2)
14 years. After the initial terms of office the terms of
15 the members shall be four (4) years.
- 16 (f) Upon the expiration of the term of office of the
17 stockbroker member of the Board, the Governor shall
18 appoint a member to the Board whose initial term of
19 office shall expire on January 14, 1991. The members
20 thereafter appointed by the Governor shall serve a
21 term of office of four (4) years which is coterminous
22 with the term of office of the office of the
23 appointing authority.
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1 (g) Upon the expiration of the term of office of the
2 representative of the insurance industry member of the
3 Board, the Governor shall appoint a member to the
4 Board whose initial term of office shall expire on
5 January 14, 1991. The members thereafter appointed by
6 the Governor shall serve a term of office of four (4)
7 years which is coterminous with the term of office of
8 the office of the appointing authority.

9 (h) Upon the expiration of the term of office of the
10 investment counselor member of the Board, the Governor
11 shall appoint a member to the Board whose initial term
12 of office shall expire on January 14, 1991. The
13 members thereafter appointed by the Governor shall
14 serve a term of office of four (4) years which is
15 coterminous with the term of office of the office of
16 the appointing authority.

17 (i) Upon the expiration of the term of office of the
18 active classroom teacher member of the Board, the
19 President Pro Tempore of the Senate shall appoint a
20 member to the Board, who shall be an active classroom
21 teacher and whose initial term of office shall expire
22 on January 8, 1991. The members thereafter appointed
23 by the President Pro Tempore of the Senate shall serve
24 a term of office of four (4) years.

1 (j) Upon the expiration of the term of office of the
2 retired classroom teacher member of the Board, the
3 Speaker of the House of Representatives shall appoint
4 a member to the Board, who shall be a retired member
5 of the System and whose initial term of office shall
6 expire on January 8, 1991. The members thereafter
7 appointed by the Speaker of the House of
8 Representatives shall serve a term of office of four
9 (4) years.

10 (k) The Speaker of the House of Representatives shall
11 appoint a member to the Board, who shall be an active
12 classroom teacher and whose initial term of office
13 shall expire on January 3, 1989. The members
14 thereafter appointed by the Speaker of the House of
15 Representatives shall serve a term of office of four
16 (4) years.

17 (l) The President Pro Tempore of the Senate shall appoint
18 a member to the Board, who shall be a retired member
19 of the System and whose initial term of office shall
20 expire on January 3, 1989. The members thereafter
21 appointed by the President Pro Tempore of the Senate
22 shall serve a term of office of four (4) years.
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1 (3) Persons who are appointed to the Board of Trustees by the
2 Governor pursuant to paragraphs (d), (f), (g) and (h) of subsection
3 (2) of this section shall:

4 (a) have demonstrated professional experience in
5 investment or funds management, public funds
6 management, public or private pension fund management
7 or retirement system management; or

8 (b) have demonstrated experience in the banking profession
9 and have demonstrated professional experience in
10 investment or funds management; or

11 (c) be licensed to practice law in this state and have
12 demonstrated professional experience in commercial
13 matters; or

14 (d) be licensed by the Oklahoma Accountancy Board to
15 practice in this state as a public accountant or a
16 certified public accountant.

17 The appointing authorities, in making appointments that conform
18 to the requirements of this subsection, shall give due consideration
19 to balancing the appointments among the criteria specified in
20 paragraphs (a) through (d) of this subsection.

21 (4) No member of the Board of Trustees shall be a lobbyist
22 registered in this state as provided by law.

23 (5) Notwithstanding any of the provisions of this section to
24 the contrary, any person serving as an appointed member of the Board

1 of Trustees on ~~the operative date of this act~~ July 1, 1988, shall be
2 eligible for reappointment when the term of office of the member
3 expires.

4 (6) If a vacancy occurs in the office of a trustee, the vacancy
5 shall be filled for the unexpired term in the same manner as the
6 office was previously filled.

7 (7) Each of the trustees, except those who are state officials
8 serving ex officio, shall receive travel expenses in accordance with
9 the State Travel Reimbursement Act.

10 (8) Each trustee shall, within ten (10) days after his or her
11 appointment or election, take an oath of office that, so far as it
12 devolves upon him or her, the trustee will diligently and honestly
13 administer the affairs of the Board of Trustees and that he or she
14 will not knowingly violate or willingly permit to be violated any of
15 the provisions of law applicable to the retirement system. Such
16 oath shall be subscribed to by the member making it, certified by
17 the officer before whom it is taken, and immediately filed in the
18 office of the Secretary of State.

19 (9) Each trustee shall be entitled to one vote on the Board of
20 Trustees. Seven votes shall be necessary for a decision by the
21 trustees at any meeting of the Board.

22 (10) Subject to the limitations of ~~this act~~ Section 17-101 et
23 seq. of this title, the Board of Trustees shall, from time to time,
24 establish rules and regulations for the administration of the funds

1 created by this act and for the transaction of its business. Rules
 2 and regulations promulgated by the Board of Trustees shall be
 3 subject to the provisions of the Administrative Procedures Act and
 4 shall be subject to review by the rule review committee of the House
 5 of Representatives and the Senate. Provided that such rules and
 6 regulations may include rules and regulations providing for the
 7 withholding from the retirement allowance due a retired person under
 8 the provisions of ~~this act~~ Section 17-101 et seq. of this title an
 9 amount requested in writing by the retiree for the purpose of
 10 paying:

- 11 (a) monthly premiums on group hospital and surgical
 12 insurance programs to which such retiree belongs, and
 13 for the transmitting of the sums so withheld to the
 14 insurance carrier designated by the retiree; and
- 15 (b) membership dues in any statewide association limited
 16 to retired educator membership with a minimum
 17 membership of one thousand (1,000) dues-paying members
 18 and for the transmitting of the sums so withheld.

19 (11) The Board of Trustees shall elect from its membership a
 20 chair, and by a majority vote of all of its members shall appoint a
 21 secretary-treasurer, who may be, but need not be, one of its
 22 members. The Board shall employ an executive director and shall
 23 engage such actuarial and other service as shall be required to
 24 transact the business of the retirement system. The compensation of

1 all persons engaged by the Board and all other expenses of the Board
2 necessary for the operation of the retirement system shall be paid
3 at such rates and in such amounts as the Board shall approve.

4 (12) The members of the Board of Trustees, the Executive
5 Director and the employees of the System shall not accept gifts or
6 gratuities from an individual organization with a value in excess of
7 Fifty Dollars (\$50.00) per year. The provisions of this section
8 shall not be construed to prevent the members of the Board of
9 Trustees, the Executive Director or the employees of the System from
10 attending educational seminars, conferences, meetings or similar
11 functions which are paid for, directly or indirectly, by more than
12 one organization.

13 (13) The Board of Trustees shall keep in convenient form such
14 data as shall be necessary for actuarial valuation of the various
15 funds of the retirement system and for checking the experience of
16 the system.

17 (14) The Board of Trustees shall keep a record of all of its
18 proceedings which shall be open to public inspection. It shall
19 publish annually a report showing the fiscal transactions of the
20 retirement system for the preceding school year, the amount of the
21 accumulated cash and securities of the system, and the last balance
22 sheet showing the financial condition of the system by means of an
23 actuarial valuation of the assets and liabilities of the retirement
24 system and a detailed accounting of its administrative expenses.

1 (15) The Board of Trustees shall retain an attorney who is
2 licensed to practice law in this state. The attorney shall serve at
3 the pleasure of the Board of Trustees for such compensation as may
4 be provided by the Board of Trustees. The attorney shall advise the
5 Board of Trustees and perform legal services for the Board of
6 Trustees with respect to any matters properly before the Board of
7 Trustees. When requested by the Board of Trustees, the Attorney
8 General of the state also shall render legal services to the Board
9 of Trustees. In addition to the above, the Board of Trustees may
10 employ hearing examiners to conduct administrative grievance
11 hearings under the provisions of the Administrative Procedures Act.

12 (16) Suitable offices shall be furnished by the Office of
13 Management and Enterprise Services. Upon the failure or inability
14 of the Office of Management and Enterprise Services to provide
15 adequate facilities, the Board of Trustees may contract for
16 necessary office space in suitable quarters.

17 (17) The Board of Trustees shall designate a Medical Board to
18 be composed of three physicians not eligible to participate in the
19 retirement system. The physicians so appointed by the Board of
20 Trustees shall be legally qualified to practice medicine in Oklahoma
21 and shall be physicians of good standing in the medical profession.
22 If required, other physicians may be employed to report on special
23 cases. The Medical Board shall pass upon all medical examinations
24 required under the provisions of ~~this act~~ Section 17-101 et seq. of

1 this title and shall investigate all essential statements and
2 certificates by or on behalf of a member in connection with an
3 application for disability retirement and shall report in writing to
4 the Board of Trustees its conclusion and recommendation upon all the
5 matters referred to it. The Board of Trustees shall adopt such
6 rules and regulations as may be necessary to properly administer
7 this benefit.

8 (18) The Board of Trustees shall designate an actuary who shall
9 be the technical advisor of the Board of Trustees on matters
10 regarding the operation of funds created by the provisions of ~~this~~
11 ~~act~~ Section 17-101 et seq. of this title and shall perform such
12 other duties as are required in connection therewith.

13 (19) At least once each five (5) years the actuary shall make
14 an actuarial investigation of the experience of the retirement
15 system, including the mortality, service and compensation experience
16 of members and beneficiaries. Based on the results of such
17 investigation the actuary shall recommend for adoption by the Board
18 of Trustees such tables and rates as are required for the operation
19 of the retirement system and for the preparation of annual actuarial
20 valuations.

21 (20) On the basis of such tables and rates as the Board of
22 Trustees shall adopt, the actuary shall prepare an annual actuarial
23 valuation of the assets and liabilities of the retirement system and
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1 certify the rates of contribution payable by the state under the
 2 provisions of law concerning the Teachers' Retirement System.

3 SECTION 2. AMENDATORY 74 O.S. 2011, Section 905, as last
 4 amended by Section 2, Chapter 342, O.S.L. 2013 (74 O.S. Supp. 2013,
 5 Section 905), is amended to read as follows:

6 Section 905. (1) There shall be a Board of Trustees which
 7 shall consist of thirteen (13) members as follows: a member of the
 8 Corporation Commission or the Commission's designee selected by the
 9 Corporation Commission, the Director of the Office of Management and
 10 Enterprise Services or the Director's designee who shall be a full-
 11 time employee of the Office of Management and Enterprise Services,
 12 the State Insurance Commissioner or the Commissioner's designee who
 13 shall be a full-time employee of the Insurance Department of the
 14 State of Oklahoma, the Director of Human Capital Management of the
 15 Office of Management and Enterprise Services, a member of the
 16 Oklahoma Tax Commission selected by the Tax Commission, three
 17 members appointed by the Governor, one member appointed by the
 18 Supreme Court, two members appointed by the Speaker of the House of
 19 Representatives and two members appointed by the President Pro
 20 Tempore of the State Senate. One member appointed by the Governor
 21 shall be an active member of the System. One member appointed by
 22 the Speaker shall be an active member of the System. One member
 23 appointed by the President Pro Tempore shall be a retired member of
 24 the System.

1 (2) The member of the Board of Trustees on July 1, 1988, who
2 was appointed by the Supreme Court shall complete the term of office
3 for which the member was appointed. The members thereafter
4 appointed by the Supreme Court shall serve terms of office of four
5 (4) years.

6 (3) Members of the Board of Trustees on July 1, 1988, who were
7 appointed by the Speaker of the House of Representatives or by the
8 President Pro Tempore of the Senate shall complete their term of
9 office for which they were appointed. The initial term of office of
10 members appointed thereafter shall expire on January 8, 1991. The
11 members thereafter appointed by the Speaker of the House of
12 Representatives and by the President Pro Tempore of the Senate shall
13 serve terms of office of four (4) years.

14 (4) The initial term of office of the members appointed by the
15 Governor shall expire on January 14, 1991. The members thereafter
16 appointed by the Governor shall serve a term of office of four (4)
17 years which is coterminous with the term of office of the office of
18 the appointing authority.

19 (5) One of the members appointed to the Board by the Speaker of
20 the House of Representatives and by the President Pro Tempore of the
21 Senate and two members appointed to the Board by the Governor shall:

- 22 (a) have demonstrated professional experience in
23 investment or funds management, public funds
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1 management, public or private pension fund management
2 or retirement system management,

3 (b) have demonstrated experience in the banking profession
4 and have demonstrated professional experience in
5 investment or funds management,

6 (c) be licensed to practice law in this state and have
7 demonstrated professional experience in commercial
8 matters, or

9 (d) be licensed by the Oklahoma Accountancy Board to
10 practice in this state as a public accountant or a
11 certified public accountant.

12 The appointing authorities, in making appointments that conform
13 to the requirements of this subsection, shall give due consideration
14 to balancing the appointments among the criteria specified in
15 paragraphs (a) through (d) of this subsection.

16 (6) No member of the Board of Trustees shall be a lobbyist
17 registered in this state as provided by law.

18 (7) Any vacancy that occurs on the Board of Trustees shall be
19 filled for the unexpired term in the same manner as the office was
20 previously filled.

21 (8) Notwithstanding any of the provisions of this section to
22 the contrary, any person serving as an appointed member of the Board
23 on July 1, 1988, shall be eligible for reappointment when the term
24 of office of the member expires.

1 (9) The Board shall elect one of its members as ~~Chairman~~ Chair
2 of the Board at its annual meeting. He or she shall preside over
3 meetings of the Board and perform such other duties as may be
4 required by the Board.

5 (10) The Board shall also elect another member to serve as Vice
6 ~~Chairman~~ Chair, and the Vice ~~Chairman~~ Chair shall perform duties of
7 ~~Chairman~~ Chair in the absence of the latter or upon his or her
8 inability or refusal to act.

9 SECTION 3. This act shall become effective July 1, 2014.

10 SECTION 4. It being immediately necessary for the preservation
11 of the public peace, health and safety, an emergency is hereby
12 declared to exist, by reason whereof this act shall take effect and
13 be in full force from and after its passage and approval.

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15 COMMITTEE REPORT BY: COMMITTEE ON ECONOMIC DEVELOPMENT AND FINANCIAL
16 SERVICES, dated 04/10/2014 - DO PASS, As Amended.

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