

1 STATE OF OKLAHOMA

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

3 SENATE BILL 2119

By: Standridge

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5
6 AS INTRODUCED

7 An Act relating to public retirement systems;
8 providing for creation of certain board; providing
9 for membership; imposing duties; requiring regular
10 meetings; providing for certain contracting
11 authorization; repealing 70 O.S. 2011, Section 17-
12 106, as amended by Section 606, Chapter 304, O.S.L.
13 2012 (70 O.S. Supp. 2013, Section 17-106), which
14 relates to the Board of Trustees of the Teachers'
15 Retirement System of Oklahoma; repealing 74 O.S.
16 2011, Section 941, as amended by Section 930, Chapter
17 304, O.S.L. 2012 (74 O.S. Supp. 2012, Section 941),
18 which relates to the Board of Trustees of the
19 Oklahoma Public Employees Retirement System;
20 providing for codification; and providing an
21 effective date.

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

23 SECTION 1. NEW LAW A new section of law to be codified
24 in the Oklahoma Statutes as Section 945 of Title 74, unless there is
created a duplication in numbering, reads as follows:

25 A. There is hereby created the Oklahoma Unified Pension Board.

26 B. The Board shall be composed of nine (9) members to be
27 appointed or selected as follows:

1 1. One active or retired professional educator to be appointed
2 by the President Pro Tempore of the Oklahoma State Senate;

3 2. One active or retired state employee to be appointed by the
4 Speaker of the Oklahoma House of Representatives;

5 3. Three persons with expertise in private or public finance to
6 be appointed by the Governor, none of whom shall be active or
7 retired members of any retirement system described in subsection C
8 of this section;

9 4. One person with expertise in private or public finance, who
10 shall not be an active or retired member of any retirement system
11 described in subsection C of this section, to be appointed by the
12 Speaker of the Oklahoma House of Representatives;

13 5. One person with expertise in private or public finance, who
14 shall not be an active or retired member of any retirement system
15 described in subsection C of this section, to be appointed by the
16 President Pro Tempore of the Oklahoma State Senate;

17 6. The Director of the Office of Management and Enterprise
18 Services who shall serve ex officio and who shall be a voting
19 member; and

20 7. The State Treasurer who shall serve ex officio and who shall
21 be a voting member.

22 C. The Oklahoma Unified Pension Board shall perform all duties
23 imposed by law on any existing board of trustees with respect to the
24 following retirement systems:

1 1. The Oklahoma Public Employees Retirement System; and

2 2. The Teachers' Retirement System of Oklahoma.

3 D. The Board shall hold regular meetings at least once each
4 quarter, the dates, time and place to be set by the Board.

5 E. The assets of the retirement systems described in subsection
6 C of this section shall be separately maintained.

7 F. The Oklahoma Unified Pension Board may engage the services
8 of an actuary, internal and external auditors, legal counsel, and
9 other professional services as required to transact the business of
10 the Board.

11 G. The Oklahoma Unified Pension Board may contract with one or
12 more pension fund management consultants to assist the Board in the
13 management of the assets for the retirement systems described in
14 subsection C of this section. Consultants shall be chosen by a
15 solicitation of proposals on a competitive bid basis pursuant to
16 standards set by the Board.

17 H. For purposes of this subsection, pension fund managers and
18 investment consultants hired by the Board 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:

- 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 I. The cost of providing the administrative support shall be
11 apportioned to the individual systems based on the percentage of
12 assets under management, as determined by the end of the preceding
13 fiscal year.

14 J. The Board shall publish a quarterly report analyzing the
15 performance of each retirement system and an actuarial valuation, on
16 an annual basis, which shall include analysis of system assets,
17 liabilities, unfunded actuarial accrued liability, funded ratio,
18 employer contributions, employee contributions, dedicated revenues,
19 if applicable and such other information as deemed relevant by the
20 Board.

21 K. The quarterly report required by subsection J of this
22 section shall contain:

23 1. The combined and individual rates of return of the
24 investment managers by category of investment;

1 2. An analysis of the performance of the custodian bank or
2 trust company of the pension systems including, but not limited to,
3 a specific review of the adequacy of the collateralization of the
4 short-term interest-bearing investment vehicles placed by the
5 custodian;

6 3. A summary of the results of the most recent actuarial
7 valuation to include total assets, total liabilities, unfunded
8 liability or over-funded status, contributions and any other
9 information deemed relevant by the Board. The results shall be
10 determined using the standards prescribed by the Government
11 Accounting Standards Board or any successor entity; and

12 4. A listing by category of the expenses of the Board.

13 L. The Board shall provide an annual report to the Governor,
14 the Legislature and the State Auditor and Inspector and make such
15 reports available to the general public.

16 M. Within six (6) months of the first meeting, the Board shall
17 adopt a plan of action for a unified investment strategy for all
18 funds, which shall be separately maintained.

19 N. Within six (6) months of the first meeting, the Board shall
20 adopt a plan of action for streamlining administrative expenses for
21 management of the systems, to include:

22 a. recommendations on the consolidation of management,
23 personnel, administrative support and operating
24 expenses, and

1 b. a calculation of the net savings expected from the
2 reallocation of resources and personnel.

3 O. Beginning on the effective date of appointment, the Board
4 shall be authorized to employ personnel, affix the duties and
5 compensation of such personnel not otherwise prescribed by law, and
6 otherwise direct the work of the personnel in performing the
7 functions and accomplishing the purposes of the Board.

8 SECTION 2. REPEALER 70 O.S. 2011, Section 17-106, as
9 amended by Section 606, Chapter 304, O.S.L. 2012 (70 O.S. Supp.
10 2013, Section 17-106), is hereby repealed.

11 SECTION 3. REPEALER 74 O.S. 2011, Section 941, as
12 amended by Section 930, Chapter 304, O.S.L. 2012 (74 O.S. Supp.
13 2013, Section 941), is hereby repealed.

14 SECTION 4. This act shall become effective November 1, 2014.

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