

1 ENGROSSED HOUSE
2 BILL NO. 2258

By: McDaniel (Randy) of the
House

3 and

4 Smalley of the Senate

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6
7 An Act relating to state government; amending 74 O.S.
8 2011, Section 942, which relates to the Oklahoma
9 State Pension Commission; modifying provisions
related to reports and analysis of certain financial
performance; and providing an effective date.

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

13 SECTION 1. AMENDATORY 74 O.S. 2011, Section 942, is
14 amended to read as follows:

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

16 1. Publish, on a quarterly basis, a performance report
17 analyzing the performance of the Oklahoma Firefighters Pension and
18 Retirement System, the Oklahoma Police Pension and Retirement
19 System, the Uniform Retirement System for Justices and Judges, the
20 Oklahoma Law Enforcement Retirement System, the Teachers' Retirement
21 System of Oklahoma, the Oklahoma Public Employees Retirement System
22 and the retirement plan adopted by the Wildlife Conservation
23 Commission on an individual and consolidated basis. The Commission
24 shall establish a format for use by each of the state retirement

1 systems in submitting the information requested by the Commission
2 for the report. The report shall contain:

- 3 a. combined and individual rates of return of the
4 investment managers by category of investment, over
5 periods of time,
- 6 b. the data obtained pursuant to subparagraph a of this
7 paragraph compared with similar data for a larger
8 population of investment managers by asset class as
9 well as by style of management, and
- 10 c. ~~an analysis of the performance of the custodian bank~~
11 ~~or trust company of the System including, but not~~
12 ~~limited to, a specific review of the adequacy of the~~
13 ~~collateralization of the short-term interest-bearing~~
14 ~~investment vehicles placed by the custodian, and~~
15 ~~d.~~ any other information that the Commission may include;

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

- 18 a. on an individual and consolidated basis, ~~an analysis a~~
19 report of the written changes in the investment plans
20 ~~developed~~ policy statements adopted by each retirement
21 system ~~as required by law~~ in the prior year,
- 22 b. ~~a qualitative and quantitative~~ an analysis of the
23 performance of the securities lending program and
24 short-term investment fund of the custodian employed

1 by each governing body of the retirement systems
2 specified in paragraph 1 of this subsection ~~and the~~
3 ~~performance of the Office of the State Treasurer~~ with
4 regard to short-term investment funds, if any,
5 containing retirement system monies,

6 c. ~~the result of the analyses prepared pursuant to~~
7 ~~subparagraphs a and b of this paragraph compared with~~
8 ~~similar data for a larger population,~~

9 ~~d.~~ recommendations on administrative and legislative
10 changes which are necessary to improve the performance
11 of the retirement systems in accordance with current
12 standards for large public fund portfolio management,

13 ~~e.~~ d. a summary of the results of the most recent actuarial
14 valuation to include total assets, total liabilities,
15 unfunded liability or over funded status,
16 contributions and any other information deemed
17 relevant by the Commission. The results shall be
18 determined using the standards prescribed by the
19 Government Accounting Standards Board or any successor
20 entity, and

21 ~~f.~~ e. a listing by category of the expenses of the
22 Commission;

23 3. Make recommendations to the Governor, the Speaker of the
24 House of Representatives and the President Pro Tempore of the State

1 Senate, based upon the advice of pension consultants, for updating
2 or standardizing retirement system benefit designs; and

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

14 B. The Commission shall distribute its reports and
15 recommendations to the Governor, the President Pro Tempore of the
16 Senate, the Speaker of the House of Representatives and the chairman
17 and vice-chairman of the Joint Committee on Fiscal Operations. The
18 Commission shall make the reports widely available to the members of
19 the Legislature, members of the retirement systems and the general
20 public.

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

3 1. Shall be experienced in providing unbiased third-party
4 consulting services;

5 2. Shall have in its client base individual clients that are
6 comparable in size to the combined total assets of the retirement
7 systems specified in paragraph 1 of subsection A of this section;
8 and

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

11 D. For purposes of this subsection, pension fund management
12 consultants hired by the Commission are hereby considered
13 fiduciaries of the state retirement systems.

14 1. A fiduciary with respect to the state retirement systems
15 shall not cause or advise a retirement system to engage in a
16 transaction if the fiduciary knows or should know that such
17 transaction constitutes a direct or indirect:

18 a. sale or exchange, or leasing of any property from a
19 retirement system to a party in interest for less than
20 adequate consideration or from a party in interest to
21 a retirement system for more than adequate
22 consideration,

23 b. lending of money or other extension of credit from a
24 retirement system to a party in interest without the

1 receipt of adequate security and a reasonable rate of
2 interest, or from a party in interest to a retirement
3 system with provision of excessive security or an
4 unreasonably high rate of interest,

5 c. furnishing of goods, services or facilities from a
6 retirement system to a party in interest for less than
7 adequate consideration, or from a party in interest to
8 a retirement system for more than adequate
9 consideration, or

10 d. transfer to, or use by or for the benefit of, a party
11 in interest of any assets of a retirement system for
12 less than adequate consideration.

13 2. A fiduciary with respect to the state retirement systems
14 shall not:

15 a. deal with the assets of a retirement system in the
16 fiduciary's own interest or for the fiduciary's own
17 account,

18 b. in the fiduciary's individual or any other capacity
19 act in any transaction involving a retirement system
20 on behalf of a party whose interests are adverse to
21 the interests of a retirement system or the interests
22 of its participants or beneficiaries, or

23 c. receive any consideration for the fiduciary's own
24 personal account from any party dealing with a

