

STATE OF OKLAHOMA

2nd Session of the 55th Legislature (2016)

HOUSE BILL 2258

By: McDaniel (Randy)

AS INTRODUCED

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

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

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

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

1. Publish, on a quarterly basis, a performance report analyzing the performance of the Oklahoma Firefighters Pension and Retirement System, the Oklahoma Police Pension and Retirement System, the Uniform Retirement System for Justices and Judges, the Oklahoma Law Enforcement Retirement System, the Teachers' Retirement System of Oklahoma, the Oklahoma Public Employees Retirement System and the retirement plan adopted by the Wildlife Conservation Commission on an individual and consolidated basis. The Commission 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

1 retirement system in connection with a transaction  
2 involving the assets of a retirement system.

3 SECTION 2. This act shall become effective November 1, 2016.

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