05/21/2012 02:49:10 PM

HOUSE OF REPRESENTATIVES
CONFERENCE COMMITTEE REPORT

Mr. President:
Mr. Speaker:

The Conference Committee, to which was referred

HB2320

By: McDaniel (Randy) of the House and Anderson of the Senate

Title: Public retirement systems; Oklahoma Firefighters Pension and Retirement System; Deferred Retirement Option Plan; employee contribution rate; employer contribution rate; insurance premium tax revenue apportionment; effective date; emergency.

Together with Engrossed Senate Amendments thereto, beg leave to report that we have had the same under consideration and herewith return the same with the following recommendations:

1. That the Senate recede from its Senate Amendment No. 1 and that the attached Conference Committee Substitute be adopted.

Respectfully submitted,

House Action ________________ Date _________ Senate Action ________________ Date _________

HB2320 CCR C

HOUSE CONFEREES

Dank ________________________

Key ________________________

Kirby ________________________

McDaniel (Randy) ________________________

McNiel ________________________

Morrissette ________________________

Mulready ________________________

Ortega ________________________

Ownbey ________________________

Pittman ________________________

Shelton ________________________

House Action __________________ Date __________ Senate Action __________________ Date __________

HB2320 CCR C

HB2320 CCR C

SENATE CONFEREES

Anderson ____________________

Brown ____________________

Mazzei ____________________

Aldridge ____________________

Adelson ____________________

Paddack Paddack

House Action ________________ Date ________ Senate Action ________________ Date ________

House Action ________________ Date ________ Senate Action ________________ Date ________

STATE OF OKLAHOMA

2nd Session of the 53rd Legislature (2012)

CONFERENCE COMMITTEE SUBSTITUTE FOR ENGROSSED HOUSE BILL NO. 2320

By: McDaniel (Randy) and Pittman of the House

and

Anderson of the Senate

COMMITTEE SUBSTITUTE

An Act relating to public retirement systems; amending 70 O.S. 2011, Section 17-106.1, which relates to the Teachers' Retirement System of Oklahoma; modifying provisions related to authorized investments; imposing limitation on investment of total assets; modifying provisions related to assumptions for cost-of-living adjustments; providing an effective date; and declaring an emergency.

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

SECTION 1. AMENDATORY 70 O.S. 2011, Section 17-106.1, is amended to read as follows:

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

1. For the exclusive purpose of:

a. providing benefits to participants and their beneficiaries, and

b. defraying reasonable expenses of administering the System;

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

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

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

B. The Board of Trustees of the Teachers' Retirement System of Oklahoma may invest the assets of the System in real property owned or to be acquired by the State of Oklahoma. It is further authorized to acquire, exchange, and grant any real property under its jurisdiction as is necessary to carry out the investment in the real property. The Board of Trustees of the Teachers' Retirement System of Oklahoma is authorized to invest not more than ten percent (10%) of the total value of assets of the system in connection with such investments. Limitations on investment of the assets of the system provided herein shall be determined as of the date of its making or acquisition.

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

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

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

~~E.~~ F. Funds and revenues for investment by the investment managers or the Board of Trustees shall be placed with a custodian selected by the Board of Trustees. The custodian shall be a bank or trust company offering pension fund master trustee and master custodial services. The custodian shall be chosen by a solicitation of proposals on a competitive bid basis pursuant to standards set by the Board of Trustees. In compliance with the investment policy guidelines of the Board of Trustees, the custodian bank or trust company shall be contractually responsible for ensuring that all monies of the System are invested in income-producing investment vehicles at all times. If a custodian bank or trust company has not received direction from the investment managers of the System as to the investment of the monies of the System in specific investment vehicles, the custodian bank or trust company shall be contractually responsible to the Board of Trustees for investing the monies in appropriately collateralized short-term interest-bearing investment vehicles.

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

~~G.~~ H. The Board of Trustees shall compile a quarterly financial report of all the funds of the System on a fiscal year basis. The report shall be compiled pursuant to uniform reporting standards prescribed by the Oklahoma State Pension Commission for all state retirement systems. The report shall include several relevant measures of investment value, including acquisition cost and current fair market value with appropriate summaries of total holdings and returns. The report shall contain combined and individual rate of returns of the investment managers by category of investment, over periods of time. The Board of Trustees shall include in the quarterly reports all commissions, fees or payments for investment services performed on behalf of the Board. The report shall be distributed to the Governor, the Oklahoma State Pension Commission, the Legislative Service Bureau, the Speaker of the House of Representatives and the President Pro Tempore of the Senate.

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

~~I. The Board of Trustees shall adopt a cost of living adjustment actuarial assumption in its annual actuarial valuation report.~~

SECTION 2. This act shall become effective July 1, 2012.

SECTION 3. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

53-2-10551 MAH 05/18/12