HOUSE OF REPRESENTATIVES - FLOOR VERSION

STATE OF OKLAHOMA

1st Session of the 56th Legislature (2017)

COMMITTEE SUBSTITUTE
FOR ENGROSSED
SENATE BILL NO. 242 By: Pugh of the Senate

and

Martinez of the House

COMMITTEE SUBSTITUTE

An Act relating to retirement boards; amending 70 O.S. 2011, Section 17-106, as last amended by Section 2, Chapter 129, O.S.L. 2016 (70 O.S. Supp. 2016, Section 17-106), which relates to the board of trustees; modifying composition of board to include State Treasurer; conforming language; amending 74 O.S. 2011, Section 905, as last amended by Section 2, Chapter 342, O.S.L. 2013 (74 O.S. Supp. 2016, Section 905), which relates to the board of trustees; modifying composition of board to include State Treasurer; conforming language; amending 74 O.S. 2011, Section 906, which relates to board meetings; and conforming language.

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

SECTION 1. AMENDATORY 70 O.S. 2011, Section 17-106, as last amended by Section 2, Chapter 129, O.S.L. 2016 (70 O.S. Supp. 2016, Section 17-106), is amended to read as follows:

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

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

(a) The State Superintendent of Public Instruction, ex officio or a designee.

(b) The Director of the Office of Management and Enterprise Services, ex officio or a designee.

(c) The Director of the Oklahoma Department of Career and Technology Education, ex officio, or his or her designee.

(d) The State Treasurer, ex officio, or his or her designee.

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

~~(e)~~ (f) Two members shall be appointed by the Governor of the State of Oklahoma and approved by the Senate. The two members shall be:

1. a representative of a school of higher education in Oklahoma whose term of office shall initially be one (1) year, and
2. a member of the System of the nonclassified optional personnel status whose initial term of office shall be two (2) years.

After the initial terms of office the terms of the members shall be four (4) years.

~~(f)~~ (g) Upon the expiration of the term of office of the stockbroker member of the Board, the Governor shall appoint a member to the Board whose initial term of office shall expire on January 14, 1991. The members thereafter appointed by the Governor shall serve a term of office of four (4) years which is coterminous with the term of office of the office of the appointing authority.

~~(g)~~ (h) Upon the expiration of the term of office of the representative of the insurance industry member of the Board, the Governor shall appoint a member to the Board whose initial term of office shall expire on January 14, 1991. The members thereafter appointed by the Governor shall serve a term of office of four (4) years which is coterminous with the term of office of the office of the appointing authority.

~~(h)~~ (i) Upon the expiration of the term of office of the investment counselor member of the Board, the Governor shall appoint a member to the Board whose initial term of office shall expire on

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

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

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

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

~~(l)~~ (m) The President Pro Tempore of the Senate shall appoint a member to the Board, who shall be a retired member of the System and whose initial term of office shall expire on January 3, 1989. The members thereafter appointed by the President Pro Tempore of the Senate shall serve a term of office of four (4) years.

~~(m)~~ (n) A statewide organization representing retired educators shall appoint a member to the Board who shall be a nonvoting member.

(3) Persons who are appointed to the Board of Trustees by the Governor pursuant to paragraphs ~~(d)~~ (e), ~~(f)~~ (g), ~~(g)~~ (h) and ~~(h)~~ (i) of subsection (2) of this section shall:

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

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

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

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

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

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

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

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

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

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

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

(10) Subject to the limitations of this act, the Board of Trustees shall, from time to time, establish rules and regulations for the administration of the funds created by this act and for the transaction of its business. Provided that such rules and regulations may include rules and regulations providing for the withholding from the retirement allowance due a retired person under the provisions of this act an amount requested in writing by the retiree for the purpose of paying:

(a) monthly premiums on group hospital and surgical insurance programs to which such retiree belongs, and for the transmitting of the sums so withheld to the insurance carrier designated by the retiree; and

(b) membership dues in any statewide association limited to retired educator membership with a minimum membership of one thousand (1,000) dues-paying members and for the transmitting of the sums so withheld.

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

necessary for the operation of the retirement system shall be paid at such rates and in such amounts as the Board shall approve.

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

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

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

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

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

(17) The Board of Trustees shall designate a Medical Board to be composed of three physicians not eligible to participate in the retirement system. The physicians so appointed by the Board of Trustees shall be legally qualified to practice medicine in Oklahoma or the state in which they reside and shall be physicians of good standing in the medical profession. The Board of Trustees may have more than one Medical Board and each Board shall have the same duties and authority under the statutes. If required, other

physicians may be employed to report on special cases. The Medical Board shall pass upon all medical examinations required under the provisions of this act and shall investigate all essential statements and certificates by or on behalf of a member in connection with an application for disability retirement and shall report in writing to the Board of Trustees its conclusion and recommendation upon all the matters referred to it. The Board of Trustees shall adopt such rules and regulations as may be necessary to properly administer this benefit.

(18) The Board of Trustees shall designate an actuary who shall be the technical advisor of the Board of Trustees on matters regarding the operation of funds created by the provisions of this act and shall perform such other duties as are required in connection therewith.

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

(20) On the basis of such tables and rates as the Board of Trustees shall adopt, the actuary shall prepare an annual actuarial

valuation of the assets and liabilities of the retirement system and certify the rates of contribution payable by the state under the provisions of law concerning the Teachers' Retirement System.

SECTION 2. AMENDATORY 74 O.S. 2011, Section 905, as last amended by Section 2, Chapter 342, O.S.L. 2013 (74 O.S. Supp. 2016, Section 905), is amended to read as follows:

Section 905. (1) There shall be a Board of Trustees which shall consist of ~~thirteen (13)~~ fourteen (14) members as follows: a member of the Corporation Commission or the Commission's designee selected by the Corporation Commission, the Director of the Office of Management and Enterprise Services or the Director's designee, the State Insurance Commissioner or the Commissioner's designee, the Director of Human Capital Management of the Office of Management and Enterprise Services, a member of the Oklahoma Tax Commission selected by the Tax Commission, the State Treasurer or the Treasurer's designee, three members appointed by the Governor, one member appointed by the Supreme Court, two members appointed by the Speaker of the House of Representatives and two members appointed by the President Pro Tempore of the State Senate. One member appointed by the Governor shall be an active member of the System. One member appointed by the Speaker shall be an active member of the System. One member appointed by the President Pro Tempore shall be a retired member of the System.

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

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

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

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

(a) have demonstrated professional experience in investment or funds management, public funds management, public or private pension fund management or retirement system management,

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

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

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

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

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

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

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

(9) The Board shall elect one of its members as Chairman of the Board at its annual meeting. He shall preside over meetings of the Board and perform such other duties as may be required by the Board.

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

SECTION 3. AMENDATORY 74 O.S. 2011, Section 906, is amended to read as follows:

Section 906. (1) The Board shall hold regular meetings in Oklahoma City at least once each quarter, the dates, time, and place thereof to be fixed by the Board. The Board shall hold a regular meeting in July of each year which meeting shall be the annual meeting and at which meeting it shall elect its Chairman. Special meetings may be called upon written call of the Chairman or by agreement of any seven members of the Board. Notice of a special meeting shall be delivered to all trustees in person or by registered or certified United States mail not less than seven (7) days prior to the date fixed for the meeting; provided, however, that notice of such meeting may be waived by any member either before or after such meeting and attendance at such meeting shall constitute a waiver of notice of such meeting, unless a member participates therein solely to object to the transaction of any business because the meeting has not been legally called or convened.

(2) ~~Seven (7)~~ Eight (8) trustees shall constitute a quorum for the transaction of business, but any official action of the Board shall be based upon a favorable vote by at least ~~seven (7)~~ eight (8) trustees at a regular or special meeting of the Board.

(3) The trustees shall serve the System without compensation but shall receive their actual and necessary expenses, subject to statutory limitations applying to other state employees, as are incurred in the performance of their duties, which shall be paid as an operating expense from the appropriate operating fund of the System.

COMMITTEE REPORT BY: COMMITTEE ON BANKING, FINANCIAL SERVICES AND PENSIONS, dated 04/12/2017 - DO PASS, As Amended and Coauthored.