

SENATE FLOOR VERSION

February 20, 2017

SENATE BILL NO. 242

By: Pugh

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.

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

3 ~~(f)~~ (g) Upon the expiration of the term of office of the
4 stockbroker member of the Board, the Governor shall appoint a member
5 to the Board whose initial term of office shall expire on January
6 14, 1991. The members thereafter appointed by the Governor shall
7 serve a term of office of four (4) years which is coterminous with
8 the term of office of the office of the appointing authority.

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

16 ~~(h)~~ (i) Upon the expiration of the term of office of the
17 investment counselor member of the Board, the Governor shall appoint
18 a member to the Board whose initial term of office shall expire on
19 January 14, 1991. The members thereafter appointed by the Governor
20 shall serve a term of office of four (4) years which is coterminous
21 with the term of office of the office of the appointing authority.

22 ~~(i)~~ (j) Upon the expiration of the term of office of the active
23 classroom teacher member of the Board, the President Pro Tempore of
24 the Senate shall appoint a member to the Board, who shall be an

1 active classroom teacher and whose initial term of office shall
2 expire on January 8, 1991. The members thereafter appointed by the
3 President Pro Tempore of the Senate shall serve a term of office of
4 four (4) years.

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

12 ~~(k)~~ (l) The Speaker of the House of Representatives shall
13 appoint a member to the Board, who shall be an active classroom
14 teacher and whose initial term of office shall expire on January 3,
15 1989. The members thereafter appointed by the Speaker of the House
16 of Representatives shall serve a term of office of four (4) years.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 (10) Subject to the limitations of this act, the Board of
20 Trustees shall, from time to time, establish rules and regulations
21 for the administration of the funds created by this act and for the
22 transaction of its business. Provided that such rules and
23 regulations may include rules and regulations providing for the
24 withholding from the retirement allowance due a retired person under

1 the provisions of this act an amount requested in writing by the
2 retiree for the purpose of paying:

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

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

11 (11) The Board of Trustees shall elect from its membership a
12 chair, and by a majority vote of all of its members shall appoint a
13 secretary-treasurer, who may be, but need not be, one of its
14 members. The Board shall employ an executive director and shall
15 engage such actuarial and other service as shall be required to
16 transact the business of the retirement system. The compensation of
17 all persons engaged by the Board and all other expenses of the Board
18 necessary for the operation of the retirement system shall be paid
19 at such rates and in such amounts as the Board shall approve.

20 (12) The members of the Board of Trustees, the Executive
21 Director and the employees of the System shall not accept gifts or
22 gratuities from an individual organization with a value in excess of
23 Fifty Dollars (\$50.00) per year. The provisions of this section
24 shall not be construed to prevent the members of the Board of

1 Trustees, the Executive Director or the employees of the System from
2 attending educational seminars, conferences, meetings or similar
3 functions which are paid for, directly or indirectly, by more than
4 one organization.

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

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

17 (15) The Board of Trustees shall retain an attorney who is
18 licensed to practice law in this state. The attorney shall serve at
19 the pleasure of the Board of Trustees for such compensation as may
20 be provided by the Board of Trustees. The attorney shall advise the
21 Board of Trustees and perform legal services for the Board of
22 Trustees with respect to any matters properly before the Board of
23 Trustees. When requested by the Board of Trustees, the Attorney
24 General of the state also shall render legal services to the Board

1 of Trustees. In addition to the above, the Board of Trustees may
2 employ hearing examiners to conduct administrative grievance
3 hearings under the provisions of the Administrative Procedures Act.

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

9 (17) The Board of Trustees shall designate a Medical Board to
10 be composed of three physicians not eligible to participate in the
11 retirement system. The physicians so appointed by the Board of
12 Trustees shall be legally qualified to practice medicine in Oklahoma
13 or the state in which they reside and shall be physicians of good
14 standing in the medical profession. The Board of Trustees may have
15 more than one Medical Board and each Board shall have the same
16 duties and authority under the statutes. If required, other
17 physicians may be employed to report on special cases. The Medical
18 Board shall pass upon all medical examinations required under the
19 provisions of this act and shall investigate all essential
20 statements and certificates by or on behalf of a member in
21 connection with an application for disability retirement and shall
22 report in writing to the Board of Trustees its conclusion and
23 recommendation upon all the matters referred to it. The Board of
24

1 Trustees shall adopt such rules and regulations as may be necessary
2 to properly administer this benefit.

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

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

16 (20) On the basis of such tables and rates as the Board of
17 Trustees shall adopt, the actuary shall prepare an annual actuarial
18 valuation of the assets and liabilities of the retirement system and
19 certify the rates of contribution payable by the state under the
20 provisions of law concerning the Teachers' Retirement System.

21 SECTION 2. AMENDATORY 74 O.S. 2011, Section 905, as last
22 amended by Section 2, Chapter 342, O.S.L. 2013 (74 O.S. Supp. 2016,
23 Section 905), is amended to read as follows:
24

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

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

23 (3) Members of the Board of Trustees on July 1, 1988, who were
24 appointed by the Speaker of the House of Representatives or by the

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

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

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

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

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

22 (c) be licensed to practice law in this state and have
23 demonstrated professional experience in commercial
24 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:

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

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

21 (3) The trustees shall serve the System without compensation
22 but shall receive their actual and necessary expenses, subject to
23 statutory limitations applying to other state employees, as are
24 incurred in the performance of their duties, which shall be paid as

1 an operating expense from the appropriate operating fund of the
2 System.

3 COMMITTEE REPORT BY: COMMITTEE ON RETIREMENT AND INSURANCE
4 February 20, 2017 - DO PASS
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