

An Act

ENROLLED SENATE
BILL NO. 981

By: Stanislawski of the Senate

and

Pfeiffer of the House

An Act relating to Oklahoma Employees Insurance and Benefits Board; amending 74 O.S. 2011, Section 1305.1, as amended by Section 936, Chapter 304, O.S.L. 2012 (74 O.S. Supp. 2018, Section 1305.1), which relates to investment of monies and investment managers; modifying certain duties; modifying references to certain Board; modifying certain duties of the Administrator; providing an effective date; and declaring an emergency.

SUBJECT: Insurance and Benefits Board

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

SECTION 1. AMENDATORY 74 O.S. 2011, Section 1305.1, as amended by Section 936, Chapter 304, O.S.L. 2012 (74 O.S. Supp. 2018, Section 1305.1), is amended to read as follows:

Section 1305.1. (1) The Director of the Office of Management and Enterprise Services and the Oklahoma Employees Insurance and Benefits Board shall discharge their duties with respect to the Oklahoma Employees Insurance and Benefits Act, the State Employees Flexible Benefits Act and the State Employees Disability Program Act solely in the interest of said Acts and:

(a) for the exclusive purpose of:

- (i) providing benefits to the participants and their dependents, and
- (ii) defraying reasonable expenses of administering the Oklahoma Employees Insurance and Benefits Act, the State Employees Flexible Benefits Act and the State Employees Disability Program Act;

(b) 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;

(c) by diversifying investments so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and

(d) in accordance with the laws, documents and instruments governing the Oklahoma Employees Insurance and Benefits Act, the State Employees Flexible Benefits Act and the State Employees Disability Program Act.

~~(2) The monies received by the Office of Management and Enterprise Services shall be invested only in assets eligible for the investment of funds of legal reserve life insurance companies in this state as provided for in Sections 1602 through 1611, 1613 through 1620, and 1622 through 1624 of Title 36 of the Oklahoma Statutes. The term admitted assets shall mean the amount of the monies received by the Office and the provisions relating to limitation of investments as a percentage of surplus and loans to policyholders shall be inapplicable with respect to investment of the monies received by the Office.~~

~~(3)~~ The Office may procure insurance indemnifying the members of the Board and the Director from personal loss or accountability from liability resulting from action or inaction.

~~(4)~~ (3) The Director may establish an investment committee. The investment committee shall be composed of not more than three (3) members of the Board selected by the Director. The committee shall make recommendations to the full Board on all matters related to the choice of custodians and managers of the assets of the Office

of Management and Enterprise Services relating to the Oklahoma Employees Insurance and Benefits Act, 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 or Director in any circumstances whatsoever. No recommendation of the committee shall have effect as an action of the Board or Director nor take effect without the approval of the Board or Director.

~~(5) The Board~~ (4) The Office of Management and Enterprise Service, based on recommendation of the Board shall retain qualified investment managers to provide for the investment of the monies received by the Office. The investment managers shall be chosen by a solicitation of proposals on a competitive bid basis pursuant to standards set by the Board. Subject to the overall investment guidelines set by the Board, the investment managers shall have full discretion in the management of those monies of the Office allocated to the investment managers. The Board shall ~~manage~~ oversee the management of those monies not specifically allocated to the investment managers. The monies of the Office 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.

~~(6)~~ (5) Funds and revenues for investment by the investment managers or the ~~Board~~ Office of Management and Enterprise Services shall be placed with a custodian ~~selected~~ recommended by the Board. 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. In compliance with the investment policy guidelines of the Board, the custodian bank or trust company shall be contractually responsible for ensuring that all monies of the Office 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 Office as to the investment of the monies of the Office in specific investment vehicles, the custodian bank or trust company shall be contractually

responsible to the Office for investing the monies in appropriately collateralized short-term interest-bearing investment vehicles.

~~(7)~~ (6) Prior to August 1 of each year, the Board shall develop a written investment plan for the monies received by the Office.

~~(8)~~ (7) The Administrator shall compile ~~a quarterly~~ annual financial ~~report~~ statements of all the ~~funds~~ activity of the Office on a calendar year basis. The ~~report~~ financial statements shall be compiled pursuant to ~~uniform reporting standards prescribed by the Insurance Commissioner for all domestic insurance companies~~ accounting principles generally accepted in the United States. 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 report shall be distributed to the ~~Governor, the Legislative Service Bureau and the Joint Committee on Fiscal Operations~~ Board and the Director of the Office of Management and Enterprise Services.

SECTION 2. This act shall become effective July 1, 2019.

SECTION 3. It being immediately necessary for the preservation of the public peace, health or 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.

Passed the Senate the 13th day of March, 2019.

Presiding Officer of the Senate

Passed the House of Representatives the 22nd day of April, 2019.

Presiding Officer of the House
of Representatives

OFFICE OF THE GOVERNOR

Received by the Office of the Governor this _____

day of _____, 20_____, at _____ o'clock _____ M.

By: _____

Approved by the Governor of the State of Oklahoma this _____

day of _____, 20_____, at _____ o'clock _____ M.

Governor of the State of Oklahoma

OFFICE OF THE SECRETARY OF STATE

Received by the Office of the Secretary of State this _____

day of _____, 20_____, at _____ o'clock _____ M.

By: _____