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February 25, 2019

COMMITTEE SUBSTITUTE
FOR

SENATE BILL NO. 981

By: Stanislawski

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.

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:

1 (i) providing benefits to the participants and their
2 dependents, and

3 (ii) defraying reasonable expenses of administering the
4 Oklahoma Employees Insurance and Benefits Act, the
5 State Employees Flexible Benefits Act and the State
6 Employees Disability Program Act;

7 (b) with the care, skill, prudence, and diligence under the
8 circumstances then prevailing that a prudent person acting in a like
9 capacity and familiar with such matters would use in the conduct of
10 an enterprise of a like character and with like aims;

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

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

18 (2) ~~The monies received by the Office of Management and~~
19 ~~Enterprise Services shall be invested only in assets eligible for~~
20 ~~the investment of funds of legal reserve life insurance companies in~~
21 ~~this state as provided for in Sections 1602 through 1611, 1613~~
22 ~~through 1620, and 1622 through 1624 of Title 36 of the Oklahoma~~
23 ~~Statutes. The term admitted assets shall mean the amount of the~~
24 ~~monies received by the Office and the provisions relating to~~

1 ~~limitation of investments as a percentage of surplus and loans to~~
2 ~~policyholders shall be inapplicable with respect to investment of~~
3 ~~the monies received by the Office.~~

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

7 ~~(4)~~ (3) The Director may establish an investment committee.
8 The investment committee shall be composed of not more than three
9 (3) members of the Board selected by the Director. The committee
10 shall make recommendations to the full Board on all matters related
11 to the choice of custodians and managers of the assets of the Office
12 of Management and Enterprise Services relating to the Oklahoma
13 Employees Insurance and Benefits Act, on the establishment of
14 investment and fund management guidelines, and in planning future
15 investment policy. The committee shall have no authority to act on
16 behalf of the Board or Director in any circumstances whatsoever. No
17 recommendation of the committee shall have effect as an action of
18 the Board or Director nor take effect without the approval of the
19 Board or Director.

20 ~~(5) The Board~~ (4) The Office of Management and Enterprise
21 Service, based on recommendation of the Board shall retain qualified
22 investment managers to provide for the investment of the monies
23 received by the Office. The investment managers shall be chosen by
24 a solicitation of proposals on a competitive bid basis pursuant to

1 standards set by the Board. Subject to the overall investment
2 guidelines set by the Board, the investment managers shall have full
3 discretion in the management of those monies of the Office allocated
4 to the investment managers. The Board shall ~~manage~~ oversee the
5 management of those monies not specifically allocated to the
6 investment managers. The monies of the Office allocated to the
7 investment managers shall be actively managed by the investment
8 managers, which may include selling investments and realizing losses
9 if such action is considered advantageous to longer term return
10 maximization. Because of the total return objective, no distinction
11 shall be made for management and performance evaluation purposes
12 between realized and unrealized capital gains and losses.

13 ~~(6)~~ (5) Funds and revenues for investment by the investment
14 managers or the ~~Board~~ Office of Management and Enterprise Services
15 shall be placed with a custodian ~~selected~~ recommended by the Board.
16 The custodian shall be a bank or trust company offering pension fund
17 master trustee and master custodial services. The custodian shall
18 be chosen by a solicitation of proposals on a competitive bid basis
19 pursuant to standards set by the Board. In compliance with the
20 investment policy guidelines of the Board, the custodian bank or
21 trust company shall be contractually responsible for ensuring that
22 all monies of the Office are invested in income-producing investment
23 vehicles at all times. If a custodian bank or trust company has not
24 received direction from the investment managers of the Office as to

1 the investment of the monies of the Office in specific investment
2 vehicles, the custodian bank or trust company shall be contractually
3 responsible to the Office for investing the monies in appropriately
4 collateralized short-term interest-bearing investment vehicles.

5 ~~(7)~~ (6) Prior to August 1 of each year, the Board shall develop
6 a written investment plan for the monies received by the Office.

7 ~~(8)~~ (7) The Administrator shall compile ~~a quarterly~~ annual
8 financial ~~report~~ statements of all the ~~funds~~ activity of the Office
9 on a calendar year basis. The ~~report~~ financial statements shall be
10 compiled pursuant to ~~uniform reporting standards prescribed by the~~
11 ~~Insurance Commissioner for all domestic insurance companies~~
12 accounting principles generally accepted in the United States. The
13 report shall include several relevant measures of investment value,
14 including acquisition cost and current fair market value with
15 appropriate summaries of total holdings and returns. The report
16 shall contain combined and individual rate of returns of the
17 investment managers by category of investment, over periods of time.
18 The report shall be distributed to the ~~Governor, the Legislative~~
19 ~~Service Bureau and the Joint Committee on Fiscal Operations~~ Board
20 and the Director of the Office of Management and Enterprise
21 Services.

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

23 SECTION 3. It being immediately necessary for the preservation
24 of the public peace, health or safety, an emergency is hereby

1 declared to exist, by reason whereof this act shall take effect and
2 be in full force from and after its passage and approval.

3 COMMITTEE REPORT BY: COMMITTEE ON RETIREMENT AND INSURANCE
4 February 25, 2019 - DO PASS AS AMENDED
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