

SENATE FLOOR VERSION

February 10, 2026

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

COMMITTEE SUBSTITUTE
FOR
SENATE BILL NO. 172

By: Bullard and Mann of the
Senate

and

Wolfley, Deck, Moore,
Ranson, and Hays of the
House

[retirement - cost-of-living adjustment]

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

SECTION 1. AMENDATORY 11 O.S. 2021, Section 49-100.9, is
amended to read as follows:

Section 49-100.9. A. The Oklahoma Firefighters Pension and
Retirement Board shall discharge their duties with respect to the
Oklahoma Firefighters Pension and Retirement 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;

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

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

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

10 B. The ~~State~~ Board may procure insurance indemnifying the
11 members of the ~~State~~ Board from personal loss or accountability from
12 liability resulting from a member's action or inaction as a member
13 of the ~~State~~ Board.

14 C. The ~~State~~ Board may establish an investment committee. The
15 investment committee shall be composed of not more than five (5)
16 members of the ~~State~~ Board appointed by the chairman of the ~~State~~
17 Board. The committee shall make recommendations to the full ~~State~~
18 Board on all matters related to the choice of custodians and
19 managers of the assets of the System, on the establishment of
20 investment and fund management guidelines, and in planning future
21 investment policy. The committee shall have no authority to act on
22 behalf of the ~~State~~ Board in any circumstances whatsoever. No
23 recommendation of the committee shall have effect as an action of
24

1 the ~~State~~ Board nor take effect without the approval of the ~~State~~
2 Board as provided by law.

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

19 E. Funds and revenues for investment by the investment managers
20 or the ~~State~~ Board shall be placed with a custodian selected by the
21 ~~State~~ Board. The custodian shall be a bank or trust company
22 offering pension fund master trustee and master custodial services
23 and any related custodial agreement or trust agreement is
24 incorporated herein by reference. The custodian shall be chosen by

1 a solicitation of proposals on a competitive bid basis pursuant to
2 standards set by the ~~State~~ Board. In compliance with the investment
3 policy guidelines of the ~~State~~ Board, the custodian bank or trust
4 company shall be contractually responsible for ensuring that all
5 monies of the System are invested in income-producing investment
6 vehicles at all times. If a custodian bank or trust company has not
7 received direction from the investment managers of the System as to
8 the investment of the monies of the System in specific investment
9 vehicles, the custodian bank or trust company shall be contractually
10 responsible to the ~~State~~ Board for investing the monies in
11 appropriately collateralized short-term interest-bearing investment
12 vehicles. Any assets of the System may be invested in a collective
13 investment fund or group trust that satisfies the requirements of
14 Revenue Ruling 81-100, as further amended by Revenue Ruling 2004-67,
15 Revenue Ruling 2008-40, and Revenue Ruling 2011-1, and as
16 subsequently amended by future guidance. Each such collective
17 investment fund or group trust is adopted, with respect to any
18 monies invested therein, as part of the System, its trust, and
19 custodial account and each such declaration of trust or trust
20 agreement and related adoption, participation, investment
21 management, subtrust or other agreements, as amended from time to
22 time, with respect to any monies invested therein, are incorporated
23 by reference into the System, its trust agreement(s) or custodial
24 agreement(s), upon approval by the ~~State~~ Board.

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

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

19 H. After July 1 and before December 1 of each year, the ~~State~~
20 Board shall publish widely an annual report presented in simple and
21 easily understood language pursuant to uniform reporting standards
22 prescribed by the Oklahoma State Pension Commission for all state
23 retirement systems. The report shall be submitted to the Governor,
24 the Speaker of the House of Representatives, the President Pro

1 Tempore of the Senate, the Oklahoma State Pension Commission and the
2 members of the System. The annual report shall cover the operation
3 of the System during the past fiscal year, including income,
4 disbursements, and the financial condition of the System at the end
5 of the fiscal year. The annual report shall also contain the
6 information issued in the quarterly reports required pursuant to
7 subsection G of this section as well as a summary of the results of
8 the most recent actuarial valuation to include total assets, total
9 liabilities, unfunded liability or over funded status, contributions
10 and any other information deemed relevant by the ~~State~~ Board. The
11 annual report shall be written in such a manner as to permit a
12 readily understandable means for analyzing the financial condition
13 and performance of the System for the fiscal year.

14 I. Effective July 1, 2000, the ~~State~~ Board is hereby authorized
15 to do all acts and things necessary and proper to carry out the
16 purpose of the System and to make the least costly amendments and
17 changes, if any, as may be necessary to qualify the System under the
18 applicable sections of the Internal Revenue Code of 1986, as
19 amended.

20 J. 1. The Board may approve a two percent (2%) cost-of-living
21 adjustment, pursuant to the schedule prescribed by this subsection
22 for persons who have received benefits from the System for one or
23 more years. The Board may only approve a cost-of-living adjustment
24 when the System's funded ratio, according to the latest annual

1 actuarial valuation, exceeds the percentage as prescribed in
2 paragraph 2 of this subsection. The funded ratio shall be
3 maintained on a rolling average for not less than three (3) years.
4 Provided, a cost-of-living adjustment shall not be granted if the
5 adjustment would cause the funding ratio of the System to drop below
6 the percentage which authorized the adjustment.

7 2. Except as provided in paragraph 1 of this subsection, a
8 cost-of-living adjustment may be approved by the Board if the funded
9 ratio of the System exceeds eighty percent (80%). Subsequent cost-
10 of-living adjustments may be approved each time thereafter that the
11 System's funded ratio increases by five percent (5%) from the
12 percentage which authorized the previous cost-of-living adjustment.
13 Provided, if the System's funded ratio exceeds one hundred percent
14 (100%), the System may approve a cost-of-living adjustment at any
15 time, so long as such adjustment does not cause the funded ratio of
16 the System to drop below one hundred percent (100%).

17 SECTION 2. AMENDATORY 11 O.S. 2021, Section 50-105.4, is
18 amended to read as follows:

19 Section 50-105.4. A. The Oklahoma Police Pension and
20 Retirement Board shall discharge their duties with respect to the
21 Oklahoma Police Pension and Retirement System solely in the interest
22 of the participants and beneficiaries and:

23 1. For the exclusive purpose of:
24

- 1 a. providing benefits to participants and their
2 beneficiaries, and
3 b. defraying reasonable expenses of administering the
4 System;

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

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

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

14 B. The ~~State~~ Board may procure insurance indemnifying the
15 members of the ~~State~~ Board from personal loss or accountability from
16 liability resulting from a member's action or inaction as a member
17 of the ~~State~~ Board.

18 C. The ~~State~~ Board may establish an investment committee. The
19 investment committee shall be composed of not more than five (5)
20 members of the ~~State~~ Board appointed by the chairman of the ~~State~~
21 Board. The committee shall make recommendations to the full ~~State~~
22 Board on all matters related to the choice of custodians and
23 managers of the assets of the System, on the establishment of
24 investment and fund management guidelines, and in planning future

1 investment policy. The committee shall have no authority to act on
2 behalf of the ~~State~~ Board in any circumstances whatsoever. No
3 recommendation of the committee shall have effect as an action of
4 the ~~State~~ Board nor take effect without the approval of the ~~State~~
5 Board as provided by law.

6 D. The ~~State~~ Board shall retain qualified investment managers
7 to provide for the investment of the monies of the System. The
8 investment managers shall be chosen by a solicitation of proposals
9 on a competitive bid basis pursuant to standards set by the ~~State~~
10 Board unless the ~~State~~ Board deems it necessary and prudent to do
11 otherwise to fulfill its fiduciary responsibility. Subject to the
12 overall investment guidelines set by the ~~State~~ Board, the investment
13 managers shall have full discretion in the management of those
14 monies of the System allocated to the investment managers. The
15 ~~State~~ Board shall manage those monies not specifically allocated to
16 the investment managers. The monies of the System allocated to the
17 investment managers shall be actively managed by the investment
18 managers, which may include selling investments and realizing losses
19 if such action is considered advantageous to longer term return
20 maximization. Because of the total return objective, no distinction
21 shall be made for management and performance evaluation purposes
22 between realized and unrealized capital gains and losses.

23 E. Funds and revenues for investment by the investment managers
24 or the ~~State~~ Board shall be placed with a custodian selected by the

1 ~~State~~ Board. The custodian shall be a bank or trust company
2 offering pension fund master trustee and master custodial services
3 and any related custodial agreement or trust agreement is
4 incorporated herein by reference. The custodian shall be chosen by
5 a solicitation of proposals on a competitive basis pursuant to
6 standards set by the ~~State~~ Board. In compliance with the investment
7 policy guidelines of the ~~State~~ Board, the custodian bank or trust
8 company shall be contractually responsible for ensuring that all
9 monies of the System are invested in income-producing investment
10 vehicles at all times. If a custodian bank or trust company has not
11 received direction from the investment managers of the System as to
12 the investment of the monies of the System in specific investment
13 vehicles, the custodian bank or trust company shall be contractually
14 responsible to the ~~State~~ Board for investing the monies in
15 appropriately collateralized short-term interest-bearing investment
16 vehicles. Any assets of the System may be invested in a collective
17 investment fund or in a group trust that satisfies the requirements
18 of ~~Rev. Rul.~~ Revenue Ruling 81-100, as further amended by ~~Rev. Rul.~~
19 Revenue Ruling 2004-67, ~~Rev. Rul.~~ Revenue Ruling 2008-40, and ~~Rev.~~
20 ~~Rul.~~ Revenue Ruling 2011-1, and as subsequently amended by future
21 guidance. Each such collective investment fund or group trust is
22 adopted, with respect to any monies invested therein, as part of the
23 System, its trust, and custodial account and each such declaration
24 of trust or trust agreement and related adoption, participation,

1 investment management, subtrust or other agreements, as amended from
2 time to time, with respect to any monies invested therein, are
3 incorporated by reference into the System, its trust agreement(s) or
4 custodial agreement(s), upon approval by the ~~State~~ Board.

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

8 G. After July 1 and before November 1 of each year, the ~~State~~
9 Board shall publish widely an annual report presented in simple and
10 easily understood language pursuant to uniform reporting standards
11 prescribed by the Oklahoma State Pension Commission for all state
12 retirement systems. The report shall be submitted to the Governor,
13 the Speaker of the House of Representatives, the President Pro
14 Tempore of the Senate, the Oklahoma State Pension Commission and the
15 members of the System. The annual report shall cover the operation
16 of the System during the past fiscal year, including income,
17 disbursements, and the financial condition of the System at the end
18 of the fiscal year. The annual report shall also contain a summary
19 of the results of the most recent actuarial valuation to include
20 total assets, total liabilities, unfunded liability or over funded
21 status, contributions and any other information deemed relevant by
22 the ~~State~~ Board. The annual report shall be written in such a
23 manner as to permit a readily understandable means for analyzing the
24

1 financial condition and performances of the System for the fiscal
2 year.

3 H. The ~~State~~ Board shall adopt a ~~cost-of-living~~ cost-of-living
4 adjustment actuarial assumption in its annual actuarial valuation
5 report.

6 I. 1. The Board may approve a two percent (2%) cost-of-living
7 adjustment, pursuant to the schedule prescribed by this subsection
8 for persons who have received benefits from the System for one or
9 more years. The Board may only approve a cost-of-living adjustment
10 when the System's funded ratio, according to the latest annual
11 actuarial valuation, exceeds the percentage as prescribed in
12 paragraph 2 of this subsection. The funded ratio shall be
13 maintained on a rolling average for not less than three (3) years.
14 Provided, a cost-of-living adjustment shall not be granted if the
15 adjustment would cause the funding ratio of the System to drop below
16 the percentage which authorized the adjustment.

17 2. Except as provided in paragraph 1 of this subsection, a
18 cost-of-living adjustment may be approved by the Board if the funded
19 ratio of the System exceeds eighty percent (80%). Subsequent cost-
20 of-living adjustments may be approved each time thereafter that the
21 System's funded ratio increases by five percent (5%) from the
22 percentage which authorized the previous cost-of-living adjustment.
23 Provided, if the System's funded ratio exceeds one hundred percent
24 (100%), the System may approve a cost-of-living adjustment at any

1 time, so long as such adjustment does not cause the funded ratio of
2 the System to drop below one hundred percent (100%).

3 SECTION 3. AMENDATORY 20 O.S. 2021, Section 1108, is
4 amended to read as follows:

5 Section 1108. A. The Board of Trustees of the Oklahoma Public
6 Employees Retirement System shall have the responsibility for
7 management of the Uniform Retirement System for Justices and Judges
8 and the ~~State~~ Oklahoma Judicial Retirement Fund. All benefits
9 payable under ~~The~~ the Uniform Retirement System for Justices and
10 Judges, refunds of contributions and overpayments, purchases or
11 investments under the law, and all expenses in connection with the
12 System shall be paid from the Oklahoma Judicial Retirement Fund.
13 The ~~State~~ Oklahoma Judicial Retirement Fund shall be invested and
14 managed in the same manner as now or hereinafter provided by law for
15 the investment and management of funds belonging to the Oklahoma
16 Public Employees Retirement System. The Uniform Retirement System
17 for Justices and Judges shall be an instrumentality of ~~the State of~~
18 ~~Oklahoma~~ this state. The System shall be vested with the powers and
19 duties specified in ~~this act~~ Section 1101 et seq. of this title and
20 such other powers as may be necessary to enable it, its officers,
21 employees, and agents to carry out fully and effectively the
22 purposes and intent of ~~this act~~ Section 1101 et seq. of this title.

23 1. The Board shall distribute the corpus and income of the
24 System to the members and their beneficiaries in accordance with the

1 System's law. At no time prior to the satisfaction of all
2 liabilities with respect to members and their beneficiaries shall
3 any part of the corpus and income be used for, or diverted to,
4 purposes other than the exclusive benefit of the members and their
5 beneficiaries.

6 2. The Board may not engage in a transaction prohibited by
7 Section 503(b) of the ~~federal~~ Internal Revenue Code of 1986, as
8 amended.

9 3. The Board shall be responsible for the policies and rules
10 for the general administration of the System, subject to the
11 provisions of ~~this act~~ Section 1101 et seq. of this title. Except
12 as specifically provided in this act, the Uniform Retirement System
13 for Justices and Judges shall generally be managed in the same
14 manner as now or hereinafter provided by law or by rule for the
15 management of the Oklahoma Public Employees Retirement System.

16 4. The Board shall establish rules for the administration of
17 the System and for the transaction of its business consistent with
18 law, which rules shall be promulgated in compliance with the
19 Administrative Procedures Act.

20 5. The Board may adopt all necessary actuarial tables to be
21 used in the operation of the System as recommended by the actuary
22 and may compile such additional data as may be necessary for
23 required actuarial valuation calculations.

24

1 6. All decisions of the Board as to questions of fact shall be
2 final and conclusive on all persons except for the right of review
3 as provided by law and except for fraud or such gross mistake of
4 fact as to have effect equivalent to fraud.

5 7. Any person who shall knowingly make any false statement, or
6 who shall falsify or permit to be falsified any record necessary for
7 carrying out the intent of ~~this act~~ Section 1101 et seq. of this
8 title for the purpose of committing fraud, shall be guilty of a
9 misdemeanor, and upon conviction shall be punished by a fine not
10 exceeding Five Hundred Dollars (\$500.00) or by imprisonment ~~for~~ not
11 exceeding one (1) year. Should any error in any records of the
12 Uniform Retirement System for Justices and Judges result in any
13 member or beneficiary receiving more or less than he or she would
14 have been entitled to receive had the records been correct, the
15 Board shall correct such error, and, as far as practicable, make
16 future payments in such manner that the actuarial equivalent of the
17 benefit to which such member or beneficiary was entitled shall be
18 paid, and to this end, may recover any overpayments.

19 B. The Board of Trustees of the Oklahoma Public Employees
20 Retirement System shall compile a quarterly financial report of all
21 the funds of the ~~State~~ Oklahoma Judicial Retirement Fund on a fiscal
22 year basis. The report shall be compiled pursuant to uniform
23 reporting standards prescribed by the Oklahoma State Pension
24 Commission for all state retirement systems. The report shall

1 include several relevant measures of investment value, including
2 acquisition cost and current fair market value with appropriate
3 summaries of total holdings and returns. The report shall contain
4 combined and individual rate of returns of the investment managers
5 by category of investment, over periods of time. The Board of
6 Trustees shall include in the quarterly reports all commissions,
7 fees or payments for investment services performed on behalf of the
8 Board of Trustees with respect to the ~~State~~ Oklahoma Judicial
9 Retirement Fund. The report shall be distributed to the Governor,
10 the Oklahoma State Pension Commission, the Legislative Service
11 Bureau, the Speaker of the House of Representatives and the
12 President Pro Tempore of the Senate. In lieu of compiling and
13 distributing the quarterly report, the Board may provide the Pension
14 Commission with direct access to the same data from the custodian
15 bank for the System.

16 C. There is hereby created the Retirement Medical Benefit Fund.
17 ~~The fund shall~~ to be maintained as a subaccount of the ~~State~~
18 Oklahoma Judicial Retirement Fund. The Retirement Medical Benefit
19 Fund is composed of all assets which may be contributed to this
20 subaccount to pay the retirement system's portion of the monthly
21 retiree health insurance premium benefit described by Section 1316.2
22 of Title 74 of the Oklahoma Statutes. All such allocated assets and
23 any earnings thereon in the Retirement Medical Benefit Fund shall be
24 held for the exclusive purpose of providing retiree medical

1 benefits. The Retirement Medical Benefit Fund is to be administered
2 in accordance with the requirements of Section 401(h) of the
3 Internal Revenue Code of 1986, as amended, from time to time. The
4 Board of Trustees may promulgate such rules as are necessary to
5 implement the funding and administration of the fund pursuant to the
6 provisions of this subsection.

7 D. After July 1 and before December 1 of each year, the Board
8 of Trustees of the Oklahoma Public Employees Retirement System shall
9 publish widely an annual report presented in simple and easily
10 understood language pursuant to uniform reporting standards
11 prescribed by the Oklahoma State Pension Commission for all state
12 retirement systems. The report shall be submitted to the Governor,
13 the Speaker of the House of Representatives, the President Pro
14 Tempore of the Senate, the Oklahoma State Pension Commission and the
15 members of the System. The annual report shall cover the operation
16 of the System during the past fiscal year, including income,
17 disbursements, and the financial condition of the System at the end
18 of the fiscal year. The annual report shall also contain the
19 information issued in the quarterly reports required pursuant to
20 subsection B of this section as well as a summary of the results of
21 the most recent actuarial valuation to include total assets, total
22 liabilities, unfunded liability or overfunded status, contributions
23 and any other information deemed relevant by the Board of Trustees.
24 The annual report shall be written in such a manner as to permit a

1 readily understandable means for analyzing the financial condition
2 and performance of the System for the fiscal year.

3 E. The Board shall adopt a ~~cost-of-living~~ cost-of-living
4 adjustment actuarial assumption in its annual actuarial valuation
5 report.

6 F. 1. The Board may approve a two percent (2%) cost-of-living
7 adjustment, pursuant to the schedule prescribed by this subsection
8 for persons who have received benefits from the System for one or
9 more years. The Board may only approve a cost-of-living adjustment
10 when the System's funded ratio, according to the latest annual
11 actuarial valuation, exceeds the percentage as prescribed in
12 paragraph 2 of this subsection. The funded ratio shall be
13 maintained on a rolling average for not less than three (3) years.
14 Provided, a cost-of-living adjustment shall not be granted if the
15 adjustment would cause the funding ratio of the System to drop below
16 the percentage which authorized the adjustment.

17 2. Except as provided in paragraph 1 of this subsection, a
18 cost-of-living adjustment may be approved by the Board if the funded
19 ratio of the System exceeds eighty percent (80%). Subsequent cost-
20 of-living adjustments may be approved each time thereafter that the
21 System's funded ratio increases by five percent (5%) from the
22 percentage which authorized the previous cost-of-living adjustment.
23 Provided, if the System's funded ratio exceeds one hundred percent
24 (100%), the System may approve a cost-of-living adjustment at any

1 time, so long as such adjustment does not cause the funded ratio of
2 the System to drop below one hundred percent (100%).

3 SECTION 4. AMENDATORY 47 O.S. 2021, Section 2-303.1, is
4 amended to read as follows:

5 Section 2-303.1. A. The Oklahoma Law Enforcement Retirement
6 Board shall discharge its duties with respect to the Oklahoma Law
7 Enforcement Retirement System solely in the interest of the
8 participants and beneficiaries and:

9 1. For the exclusive purpose of:

10 a. providing benefits to participants and their
11 beneficiaries, and

12 b. defraying reasonable expenses of administering the
13 System;

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

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

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

23 B. The Board may procure insurance indemnifying the members of
24 the Board from personal loss or accountability from liability

1 resulting from a member's action or inaction as a member of the
2 Board.

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

14 D. The Board shall retain qualified investment managers to
15 provide for the investment of the monies of the System. The
16 investment managers shall be chosen by a solicitation of proposals
17 on a competitive bid basis pursuant to standards set by the Board.
18 Subject to the overall investment guidelines set by the Board, the
19 investment managers shall have full discretion in the management of
20 those monies of the System allocated to the investment managers.
21 The Board shall manage those monies not specifically allocated to
22 the investment managers. The monies of the System allocated to the
23 investment managers shall be actively managed by the investment
24 managers, which may include selling investments and realizing losses

1 if such action is considered advantageous to longer term return
2 maximization. Because of the total return objective, no distinction
3 shall be made for management and performance evaluation purposes
4 between realized and unrealized capital gains and losses.

5 E. All assets of the System shall be held in trust for the
6 exclusive purpose of providing benefits for the members and
7 beneficiaries of the System, including defraying reasonable expenses
8 of administering the System, and shall not be encumbered for or
9 diverted to any other purposes. Funds and revenues for investment
10 by the investment managers or the Board shall be placed with a
11 custodian selected by the Board. The custodian shall be a bank or
12 trust company offering pension fund master trustee and master
13 custodial services, and any related custodial agreement or trust
14 agreement is incorporated herein by reference. The custodian shall
15 be chosen by a solicitation of proposals on a competitive bid basis
16 pursuant to standards set by the Board. In compliance with the
17 investment policy guidelines of the Board, the custodian bank or
18 trust company shall be contractually responsible for ensuring that
19 all monies of the System are invested in income-producing investment
20 vehicles at all times. If a custodian bank or trust company has not
21 received direction from the investment managers of the System as to
22 the investment of the monies of the System in specific investment
23 vehicles, the custodian bank or trust company shall be contractually
24 responsible to the Board for investing the monies in appropriately

1 collateralized short-term interest-bearing investment vehicles. Any
2 assets of the System may be invested in a collective investment fund
3 or in a group trust provided the investment in such collective
4 investment fund or group trust is in compliance with the provisions
5 of ~~Rev. Rul.~~ Revenue Ruling 81-100, as further amended by ~~Rev. Rul.~~
6 Revenue Ruling 2004-67, ~~Rev. Rul.~~ Revenue Ruling 2008-40, and ~~Rev.~~
7 ~~Rul.~~ Revenue Ruling 2011-1, or any successor ruling, regulation, or
8 similar pronouncement. Each such collective investment fund or
9 group trust is adopted with respect to any monies invested therein,
10 as part of the System, its trust and custodial agreement, and the
11 provisions of such trust agreement or such declaration of trust and
12 related adoption, participation, investment management, subtrust or
13 other agreements, as amended from time to time, with respect to any
14 monies invested therein, are incorporated by reference into the
15 System, its trust agreement(s) or custodial agreement(s), upon
16 approval by the Board.

17 F. Prior to August 1 of each year, the Board shall develop a
18 written investment plan for the System.

19 G. The Board shall compile a quarterly financial report of all
20 the funds of the System on a fiscal year basis. The report shall be
21 compiled pursuant to uniform reporting standards prescribed by the
22 Oklahoma State Pension Commission for all state retirement systems.
23 The report shall include several relevant measures of investment
24 value, including acquisition cost and current fair market value with

1 appropriate summaries of total holdings and returns. The report
2 shall contain combined and individual rate of returns of the
3 investment managers by category of investment, over periods of time.
4 The Board shall include in the quarterly reports all commissions,
5 fees or payments for investment services performed on behalf of the
6 Board. The report shall be distributed to the Governor, the
7 Oklahoma State Pension Commission, the Legislative Service Bureau,
8 the Speaker of the House of Representatives and the President Pro
9 Tempore of the Senate.

10 H. After July 1 and before October 31 of each year, the Board
11 shall publish widely an annual report presented in simple and easily
12 understood language pursuant to uniform reporting standards
13 prescribed by the Oklahoma State Pension Commission for all state
14 retirement systems. The report shall be submitted to the Governor,
15 the Speaker of the House of Representatives, the President Pro
16 Tempore of the Senate, the Oklahoma State Pension Commission and the
17 members of the System. The annual report shall cover the operation
18 of the System during the past fiscal year, including income,
19 disbursements, and the financial condition of the System at the end
20 of the fiscal year. The annual report shall also contain the
21 information issued in the quarterly reports required pursuant to
22 subsection G of this section as well as a summary of the results of
23 the most recent actuarial valuation to include total assets, total
24 liabilities, unfunded liability or over funded status, contributions

1 and any other information deemed relevant by the Board. The annual
2 report shall be written in such a manner as to permit a readily
3 understandable means for analyzing the financial condition and
4 performance of the System for the fiscal year. The annual financial
5 statements must be audited and filed in accordance with the
6 requirements set forth for financial statement audits in Section
7 212A of Title 74 of the Oklahoma Statutes.

8 I. The Board may retain an attorney licensed to practice law in
9 this state. The attorney shall serve at the pleasure of the Board
10 for such compensation as set by the Board. The Attorney General
11 shall furnish such legal services as may be requested by the Board.

12 J. All information, documents and copies thereof contained in a
13 member's retirement file shall be given confidential treatment and
14 shall not be made public by the System without the prior written
15 consent of the member to which it pertains, but shall be subject
16 only to court order. Provided, the System, its employees or
17 attorneys, may use such records in defense of any action brought
18 against the System.

19 K. Effective July 1, 1999, the Board is hereby authorized to do
20 all acts and things necessary and proper to carry out the purpose of
21 the System and to make the least costly amendments and changes, if
22 any, as may be necessary to qualify the System under the applicable
23 sections of the Internal Revenue Code of 1986, as amended.

24

1 L. The Executive Director and such employees of the System as
2 the Executive Director may designate are hereby authorized to
3 prepare certified copies of records of the System and every such
4 certified copy shall be admissible in any proceeding in any court in
5 like manner as the original thereof.

6 M. On or after July 1, 2011, the Board may permit, effective
7 for applicable notices, elections and consents provided or made for
8 a member, beneficiary, alternate payee or individual entitled to
9 benefits under the System, the use of electronic media to provide
10 applicable notices and make such elections and consents as described
11 in Section 1.401(a)-21 of the Income Tax Regulations.

12 N. The Board shall develop such procedures and may require such
13 information from the distributing plan as it deems necessary to
14 reasonably conclude that a potential rollover contribution is a
15 valid rollover contribution under Section 1.401(a)(31)-1, Q&A-
16 14(b)(2), of the Income Tax Regulations.

17 O. 1. The Board may approve a two percent (2%) cost-of-living
18 adjustment, pursuant to the schedule prescribed by this subsection
19 for persons who have received benefits from the System for one or
20 more years. The Board may only approve a cost-of-living adjustment
21 when the System's funded ratio, according to the latest annual
22 actuarial valuation, exceeds the percentage as prescribed in
23 paragraph 2 of this subsection. The funded ratio shall be
24 maintained on a rolling average for not less than three (3) years.

1 Provided, a cost-of-living adjustment shall not be granted if the
2 adjustment would cause the funding ratio of the System to drop below
3 the percentage which authorized the adjustment.

4 2. Except as provided in paragraph 1 of this subsection, a
5 cost-of-living adjustment may be approved by the Board if the funded
6 ratio of the System exceeds eighty percent (80%). Subsequent cost-
7 of-living adjustments may be approved each time thereafter that the
8 System's funded ratio increases by five percent (5%) from the
9 percentage which authorized the previous cost-of-living adjustment.

10 Provided, if the System's funded ratio exceeds one hundred percent
11 (100%), the System may approve a cost-of-living adjustment at any
12 time, so long as such adjustment does not cause the funded ratio of
13 the System to drop below one hundred percent (100%).

14 SECTION 5. AMENDATORY 70 O.S. 2021, Section 17-106.1, is
15 amended to read as follows:

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

20 1. For the exclusive purpose of:

21 a. providing benefits to participants and their
22 beneficiaries, and

23 b. defraying reasonable expenses of administering the
24 System;

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

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

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

10 B. The Board of Trustees of the Teachers' Retirement System of
11 Oklahoma may invest the assets of the System in real property owned
12 or to be acquired by the ~~State of Oklahoma~~ state. It is further
13 authorized to acquire, exchange, and grant any real property under
14 its jurisdiction as is necessary to carry out the investment in the
15 real property. The Board of Trustees of the Teachers' Retirement
16 System of Oklahoma is authorized to invest not more than ten percent
17 (10%) of the total value of assets of the System in connection with
18 such investments. Limitations on investment of the assets of the
19 System provided herein shall be determined as of the date of its
20 making or acquisition.

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

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

13 E. The Board of Trustees may retain qualified investment
14 managers to provide for the investment of the monies of the System.
15 The investment managers shall be chosen by a solicitation of
16 proposals on a competitive bid basis pursuant to standards set by
17 the Board of Trustees. Subject to the overall investment guidelines
18 set by the Board of Trustees, the investment managers shall have
19 full discretion in the management of those monies of the System
20 allocated to the investment managers. The Board of Trustees shall
21 manage those monies not specifically allocated to the investment
22 managers. The monies of the System allocated to the investment
23 managers shall be actively managed by the investment managers, which
24 may include selling investments and realizing losses if such action

1 is considered advantageous to longer term return maximization.

2 Because of the total return objective, no distinction shall be made
3 for management and performance evaluation purposes between realized
4 and unrealized capital gains and losses.

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

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

1 H. The Board of Trustees shall compile a quarterly financial
2 report of all the funds of the System on a fiscal year basis. The
3 report shall be compiled pursuant to uniform reporting standards
4 prescribed by the Oklahoma State Pension Commission for all state
5 retirement systems. The report shall include several relevant
6 measures of investment value, including acquisition cost and current
7 fair market value with appropriate summaries of total holdings and
8 returns. The report shall contain combined and individual rate of
9 returns of the investment managers by category of investment, over
10 periods of time. The Board of Trustees shall include in the
11 quarterly reports all commissions, fees or payments for investment
12 services performed on behalf of the Board. The report shall be
13 distributed to the Governor, the Oklahoma State Pension Commission,
14 the Legislative Service Bureau, the Speaker of the House of
15 Representatives and the President Pro Tempore of the Senate. In
16 lieu of compiling and distributing the quarterly report, the Board
17 may provide the Oklahoma State Pension Commission with direct access
18 to the same data from the custodian bank for the System.

19 I. After July 1 and before December 1 of each year, the Board
20 of Trustees shall publish widely an annual report presented in
21 simple and easily understood language pursuant to uniform reporting
22 standards prescribed by the Oklahoma State Pension Commission for
23 all state retirement systems. The report shall be submitted to the
24 Governor, the Speaker of the House of Representatives, the President

1 Pro Tempore of the Senate, the Oklahoma State Pension Commission and
2 the members of the System. The annual report shall cover the
3 operation of the System during the past fiscal year, including
4 income, disbursements, and the financial condition of the System at
5 the end of the fiscal year. The annual report shall also contain
6 the information issued in the quarterly reports required pursuant to
7 subsection H of this section as well as a summary of the results of
8 the most recent actuarial valuation to include total assets, total
9 liabilities, unfunded liability or over funded status, contributions
10 and any other information deemed relevant by the Board of Trustees.
11 The annual report shall be written in such a manner as to permit a
12 readily understandable means for analyzing the financial condition
13 and performance of the System for the fiscal year.

14 J. 1. The Board of Trustees may approve a two percent (2%)
15 cost-of-living adjustment, pursuant to the schedule prescribed by
16 this subsection for persons who have received benefits from the
17 System for one or more years. The Board of Trustees may only
18 approve a cost-of-living adjustment when the System's funded ratio,
19 according to the latest annual actuarial valuation, exceeds the
20 percentage as prescribed in paragraph 2 of this subsection. The
21 funded ratio shall be maintained on a rolling average for not less
22 than three (3) years. Provided, a cost-of-living adjustment shall
23 not be granted if the adjustment would cause the funding ratio of

24

1 the System to drop below the percentage which authorized the
2 adjustment.

3 2. Except as provided in paragraph 1 of this subsection, a
4 cost-of-living adjustment may be approved by the Board of Trustees
5 if the funded ratio of the System exceeds eighty percent (80%).
6 Subsequent cost-of-living adjustments may be approved each time
7 thereafter that the System's funded ratio increases by five percent
8 (5%) from the percentage which authorized the previous cost-of-
9 living adjustment. Provided, if the System's funded ratio exceeds
10 one hundred percent (100%), the System may approve a cost-of-living
11 adjustment at any time, so long as such adjustment does not cause
12 the funded ratio of the System to drop below one hundred percent
13 (100%).

14 SECTION 6. AMENDATORY 74 O.S. 2021, Section 905, is
15 amended to read as follows:

16 Section 905. ~~(1)~~ A. There shall be a Board of Trustees of the
17 Oklahoma Public Employees Retirement System which shall consist of
18 fourteen (14) members as follows and all appointees shall serve
19 their terms at the pleasure of the appointing authority and may be
20 removed or replaced without cause: a member of the Corporation
21 Commission or the Commission's designee selected by the Corporation
22 Commission, the Director of the Office of Management and Enterprise
23 Services or the Director's designee, the ~~State~~ Insurance
24 Commissioner or the Commissioner's designee, the Director of Human

1 Capital Management of the Office of Management and Enterprise
2 Services, a member of the Oklahoma Tax Commission selected by the
3 Tax Commission, the State Treasurer or the Treasurer's designee,
4 three members appointed by the Governor, one member appointed by the
5 Supreme Court, two members appointed by the Speaker of the House of
6 Representatives and two members appointed by the President Pro
7 Tempore of the State Senate. One member appointed by the Governor
8 shall be an active member of the System. One member appointed by
9 the Speaker shall be an active member of the System. One member
10 appointed by the President Pro Tempore shall be a retired member of
11 the System.

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

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

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

6 ~~(5)~~ E. One of the members appointed to the Board by the
 7 Speaker of the House of Representatives and by the President Pro
 8 Tempore of the Senate and two members appointed to the Board by the
 9 Governor shall:

10 ~~(a)~~ have 1. Have demonstrated professional experience in
 11 investment or funds management, public funds management, public or
 12 private pension fund management or retirement system management~~;~~;

13 ~~(b)~~ have 2. Have demonstrated experience in the banking
 14 profession and have demonstrated professional experience in
 15 investment or funds management~~;~~;

16 ~~(c)~~ be 3. Be licensed to practice law in this state and have
 17 demonstrated professional experience in commercial matters~~;~~; or

18 ~~(d)~~ be 4. Be licensed by the Oklahoma Accountancy Board to
 19 practice in this state as a public accountant or a certified public
 20 accountant.

21 The appointing authorities, in making appointments that conform
 22 to the requirements of this subsection, shall give due consideration
 23 to balancing the appointments among the criteria specified in
 24 paragraphs ~~(a)~~ 1 through ~~(d)~~ 4 of this subsection.

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

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

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

10 ~~(9)~~ I. The Board shall elect one of its members as ~~Chairman~~
11 chair of the Board at its annual meeting. He or she shall preside
12 over meetings of the Board and perform such other duties as may be
13 required by the Board.

14 ~~(10)~~ J. The Board shall also elect another member to serve as
15 ~~Vice Chairman~~ vice chair, and the ~~Vice Chairman~~ vice chair shall
16 perform duties of ~~Chairman~~ chair in the absence of the latter or
17 upon his or her inability or refusal to act.

18 K. 1. The Board may approve a two percent (2%) cost-of-living
19 adjustment, pursuant to the schedule prescribed by this subsection
20 for persons who have received benefits from the System for one or
21 more years. The Board may only approve a cost-of-living adjustment
22 when the System's funded ratio, according to the latest annual
23 actuarial valuation, exceeds the percentage as prescribed in
24 paragraph 2 of this subsection. The funded ratio shall be

1 maintained on a rolling average for not less than three (3) years.
2 Provided, a cost-of-living adjustment shall not be granted if the
3 adjustment would cause the funding ratio of the System to drop below
4 the percentage which authorized the adjustment.

5 2. Except as provided in paragraph 1 of this subsection, a
6 cost-of-living adjustment may be approved by the Board if the funded
7 ratio of the System exceeds eighty percent (80%). Subsequent cost-
8 of-living adjustments may be approved each time thereafter that the
9 System's funded ratio increases by five percent (5%) from the
10 percentage which authorized the previous cost-of-living adjustment.

11 Provided, if the System's funded ratio exceeds one hundred percent
12 (100%), the System may approve a cost-of-living adjustment at any
13 time, so long as such adjustment does not cause the funded ratio of
14 the System to drop below one hundred percent (100%).

15 COMMITTEE REPORT BY: COMMITTEE ON RETIREMENT AND GOVERNMENT
16 RESOURCES
17 February 10, 2026 - DO PASS AS AMENDED BY CS
18
19
20
21
22
23
24