

1 STATE OF OKLAHOMA

2 1st Session of the 57th Legislature (2019)

3 COMMITTEE SUBSTITUTE  
4 FOR

5 SENATE BILL 981

6 By: Stanislawski

7 COMMITTEE SUBSTITUTE

8 An Act relating to Oklahoma Employees Insurance and  
9 Benefits Board; amending 74 O.S. 2011, Section  
10 1305.1, as amended by Section 936, Chapter 304,  
11 O.S.L. 2012 (74 O.S. Supp. 2018, Section 1305.1),  
12 which relates to investment of monies and investment  
13 managers; modifying certain duties; modifying  
14 references to certain Board; modifying certain duties  
15 of the Administrator; providing an effective date;  
16 and declaring an emergency.

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

18 SECTION 1. AMENDATORY 74 O.S. 2011, Section 1305.1, as  
19 amended by Section 936, Chapter 304, O.S.L. 2012 (74 O.S. Supp.  
20 2018, Section 1305.1), is amended to read as follows:

21 Section 1305.1. (1) The Director of the Office of Management  
22 and Enterprise Services and the Oklahoma Employees Insurance and  
23 Benefits Board shall discharge their duties with respect to the  
24 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:

1 (a) for the exclusive purpose of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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1 SECTION 3. It being immediately necessary for the preservation  
2 of the public peace, health or safety, an emergency is hereby  
3 declared to exist, by reason whereof this act shall take effect and  
4 be in full force from and after its passage and approval.

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