

1                           **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2   STATE OF OKLAHOMA

3                           1st Session of the 59th Legislature (2023)

4 COMMITTEE SUBSTITUTE  
5 FOR  
6 HOUSE BILL NO. 2254

By: Burns, **Boatman**, and **Hill** of  
the House

and

**Stewart** of the Senate

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10   COMMITTEE SUBSTITUTE

11                   [ public finance - Tobacco Settlement Endowment Trust  
12                   Fund - investments - venture capital - effective  
13                   date ]

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

17           SECTION 1.           AMENDATORY           62 O.S. 2021, Section 2306, is  
18 amended to read as follows:

19           Section 2306. A. The Board of Investors of the Tobacco  
20 Settlement Endowment Trust Fund shall discharge their duties as  
21 trustees of the Tobacco Settlement Endowment Trust Fund:

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

3 2. By diversifying the investments in the trust fund so as to  
4 minimize the risk of large losses, unless, under the circumstances,  
5 it is clearly prudent not to do so; and

6 3. In accordance with the laws, documents, and instruments  
7 governing the trust fund; and

8 4. By investment of at least four percent (4%) of funds in  
9 venture capital entities as identified by the Oklahoma Department of  
10 Commerce pursuant to subsection D of Section 2401 of this title.

11 B. The Board of Investors shall retain qualified investment  
12 managers to provide for the investment of the monies of the trust  
13 fund. The investment managers shall be chosen by a solicitation of  
14 proposals on a competitive basis pursuant to standards set by the  
15 Board of Investors. The investment managers shall manage those  
16 monies of the trust fund allocated to the investment managers in  
17 compliance with the overall investment guidelines set by the Board  
18 of Investors. The monies of the trust fund allocated to the  
19 investment managers shall be managed by the investment managers in  
20 accordance with the investment guidelines and other directions of  
21 the Board of Investors. The investment managers may sell  
22 investments and realize losses if such action is considered  
23 advantageous to longer-term return maximization. Because of the  
24 total return objective, no distinction shall be made for management

1 and performance evaluation purposes between realized and unrealized  
2 capital gains and losses. The Board of Investors may have the State  
3 Treasurer manage those monies not specifically allocated to the  
4 investment managers.

5 C. The trust fund may be invested in the manner in which a  
6 prudent person would invest it and consistent with the manner that  
7 state retirement funds are invested.

8 D. The Board of Investors shall select a custodial bank to  
9 settle transactions involving the investment of funds in the trust  
10 fund and to hold custody of the securities in the trust fund  
11 portfolio. The custodian shall be a bank or trust company offering  
12 pension fund master trustee and master custodial services. The  
13 custodian shall be chosen by a solicitation of proposals on a  
14 competitive basis pursuant to standards set by the Board of  
15 Investors. The Board of Investors may also select professional  
16 investment consultants, auditors, and actuaries to assist the Board  
17 of Investors in carrying out its fiduciary responsibilities. All  
18 these professionals shall be selected by a solicitation of proposals  
19 on a competitive basis pursuant to standards set by the Board of  
20 Investors.

21 E. The Board of Investors shall choose the professional  
22 custodians and managers of the assets of the trust fund, shall  
23 establish investment and fund management guidelines, and shall adopt  
24 an investment policy. The selection of investment managers,

1 investment consultants, auditors, and actuaries, and a custodian  
2 bank shall be exempt from the provisions of the Oklahoma Central  
3 Purchasing Act.

4 F. The Board of Investors shall set aside cash reserves from  
5 the earnings of the Tobacco Settlement Endowment Trust Fund if  
6 requested by the Board of Directors of the Tobacco Settlement  
7 Endowment Trust Fund pursuant to subsection B of Section ~~10~~ 2310 of  
8 this ~~act~~ title.

9 G. The State Treasurer shall provide any necessary staff  
10 support to the Board of Investors. The cost of up to two full-time-  
11 equivalent employees for the Office of the State Treasurer may be  
12 considered as an administrative expense of the trust fund. However,  
13 the amount provided to the State Treasurer for this purpose shall be  
14 determined by the Board of Directors of the Tobacco Settlement  
15 Endowment Trust Fund.

16 SECTION 2. This act shall become effective November 1, 2023.

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18 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS AND BUDGET, dated  
19 03/02/2023 - DO PASS, As Amended and Coauthored.  
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