

STATE OF OKLAHOMA

1st Session of the 59th Legislature (2023)

HOUSE BILL 2254

By: Burns

AS INTRODUCED

An Act relating to public finance; amending 62 O.S. 2021, Section 2306, which relates to the board of investors of the Tobacco Settlement Endowment Trust Fund; providing for consideration of certain investments; and providing an effective date.

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

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

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

1. 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;

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

4 3. In accordance with the laws, documents, and instruments
5 governing the trust fund; and

6 4. Giving due consideration, consistent with the investment
7 standard prescribed by this section, for investment of funds in
8 venture capital entities.

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

1 Treasurer manage those monies not specifically allocated to the
2 investment managers.

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

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

19 E. The Board of Investors shall choose the professional
20 custodians and managers of the assets of the trust fund, shall
21 establish investment and fund management guidelines, and shall adopt
22 an investment policy. The selection of investment managers,
23 investment consultants, auditors, and actuaries, and a custodian
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1 bank shall be exempt from the provisions of the Oklahoma Central
2 Purchasing Act.

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

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

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

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