

1 STATE OF OKLAHOMA

2 1st Session of the 59th Legislature (2023)

3 SENATE BILL 997

By: Jett

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5
6 AS INTRODUCED

7 An Act relating to investments; amending 62 O.S.
8 2021, Section 89.2, which relates to investment of
9 public funds; prohibiting investment of public funds
10 in certain instruments of communist governments or
11 corporations; clarifying statutory language; and
12 providing an effective date.

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

14 SECTION 1. AMENDATORY 62 O.S. 2021, Section 89.2, is
15 amended to read as follows:

16 Section 89.2. A. The State Treasurer is directed to invest the
17 maximum amount of funds under control of the State Treasurer
18 consistent with good business practices. Except as otherwise
19 provided for by law, the investments shall earn not less than the
20 rate for comparable maturities on United States Treasury
21 obligations. Except as otherwise provided for by law, the State
22 Treasurer may purchase and invest only in:

23 1. Obligations of the United States Government, its agencies
24 and instrumentalities, or other obligations fully insured or
25 unconditionally guaranteed as to the payment of principal and

1 interest by the United States government or any of its agencies and
2 instrumentalities;

3 2. Collateralized or insured certificates of deposit and other
4 evidences of deposit at banks, savings banks, savings and loan
5 associations, and credit unions located in this state;

6 3. Negotiable certificates of deposit issued by a nationally or
7 state-chartered bank, a savings bank, a savings and loan
8 association, or a state-licensed branch of a foreign bank.

9 Purchases of negotiable certificates of deposit shall not exceed ten
10 percent (10%) of the cash available for investment which may be
11 invested pursuant to this section. Not more than one-half (1/2) of
12 the ten percent (10%) limit shall be invested in any one financial
13 institution specified in this paragraph;

14 4. Prime banker's acceptances which are eligible for purchase
15 by the Federal Reserve System and which do not exceed two hundred
16 seventy (270) days' maturity. Purchases of prime banker's
17 acceptances shall not exceed ten percent (10%) of the cash available
18 for investment which may be invested pursuant to this section. Not
19 more than three-fourths (3/4) of the ten percent (10%) limit shall
20 be invested in any one commercial bank pursuant to this paragraph;

21 5. Prime commercial paper which shall not have a maturity that
22 exceeds one hundred eighty (180) days nor represent more than ten
23 percent (10%) of the outstanding paper of an issuing corporation.

24 Purchases of prime commercial paper shall not exceed seven and one-

1 half percent (7 1/2%) of the cash available for investment which may
2 be invested pursuant to this section. No commercial paper shall be
3 purchased from an issuing corporation or their subsidiary that is
4 headquartered in a communist country;

5 6. Investment grade obligations of state and local governments,
6 including obligations of Oklahoma state public trusts which possess
7 the highest rating from at least one nationally recognized rating
8 agency acceptable to the State Treasurer. Purchases of investment
9 grade obligations of state and local governments shall not exceed
10 ten percent (10%) of the cash available for investment which may be
11 invested pursuant to this section;

12 7. Repurchase agreements, provided that such agreements are
13 included within the written investment policy required by subsection
14 D of this section that have underlying collateral consisting of
15 those items and those restrictions specified in paragraphs 1 through
16 6 of this subsection;

17 8. Money market funds and short term bond funds regulated by
18 the Securities and Exchange Commission and which investments consist
19 of those items and those restrictions specified in paragraphs 1
20 through 7 of this subsection; and

21 9. Bonds, notes, debentures, or other similar obligations of a
22 foreign government which the International Monetary Fund lists as an
23 industrialized country and for which the full faith and credit of
24 such nation has been pledged for the payment of principal and

1 interest; provided, that any such security shall be rated at least
2 A- or better by Standard & Poor's Corporation or A3 or better by
3 Moody's Investors Service, or an equivalent investment grade by a
4 securities ratings organization accepted by the National Association
5 of Insurance Commissioners; and provided further, that the total
6 investment in such foreign securities at any one time shall not
7 exceed five percent (5%) of the cash available for investment which
8 may be invested pursuant to this section. In no circumstance shall
9 investments be made in bonds, notes, debentures, or any similar
10 obligations of a foreign government that:

- 11 a. is identified as a state sponsor of terrorism by the
12 United States Department of State, ~~or~~
- 13 b. ~~any~~ is an authoritarian or totalitarian government the
14 sovereign powers of which are exercised through a
15 single person or group of persons who are not elected
16 by any form of legitimate popular voting, or
- 17 c. is a communist government.

18 B. Investments shall be made with judgment and care, under
19 circumstances then prevailing, which persons of prudence,
20 discretion, and intelligence exercise in the management of their own
21 affairs, not for speculation, but for investment, considering the
22 probable safety of their capital as well as the probable income to
23 be derived.

1 C. The State Treasurer shall appoint an investment officer who
2 shall perform duties related to the investment of state funds in the
3 Office of the State Treasurer. The investment officer shall not
4 perform or supervise any accounting functions, data processing
5 functions, or duties related to the documentation or settlement of
6 investment transactions.

7 D. Investments of public funds by the State Treasurer shall be
8 made in accordance with written policies developed by the State
9 Treasurer. The written investment policies shall address:

- 10 1. Liquidity;
- 11 2. Diversification;
- 12 3. Safety of principal;
- 13 4. Yield;
- 14 5. Maturity and quality; and
- 15 6. Capability of investment management.

16 The State Treasurer shall place primary emphasis on safety and
17 liquidity in the investment of public funds. To the extent
18 practicable taking into account the need to use sound investment
19 judgment, the written investment policies shall include provision
20 for utilization of a system of competitive bidding in the investment
21 of state funds. The written investment policies shall be designed
22 to maximize yield within each class of investment instrument,
23 consistent with the safety of the funds invested.

1 E. The State Treasurer shall select one custodial bank to
2 settle transactions involving the investment of state funds under
3 the control of the State Treasurer. The State Treasurer shall
4 review the performance of the custodial bank at least once every
5 year. The State Treasurer shall require a written competitive bid
6 every five (5) years. The custodial bank shall have a minimum of
7 Five Hundred Million Dollars (\$500,000,000.00) in assets to be
8 eligible for selection. Any out-of-state custodial bank shall have
9 a service agent in the State of Oklahoma so that service of summons
10 or legal notice may be had on such designated agent as is now or may
11 hereafter be provided by law. In order to be eligible for
12 selection, the custodial bank shall allow electronic access to all
13 transaction and portfolio reports maintained by the custodial bank
14 involving the investment of state funds under control of the State
15 Treasurer. The access shall be given to both the State Treasurer
16 and to the Cash Management and Investment Oversight Commission. The
17 requirement for electronic access shall be incorporated into any
18 contract between the State Treasurer and the custodial bank.
19 Neither the State Treasurer nor the custodial bank shall permit any
20 of the funds under the control of the State Treasurer or any of the
21 documents, instruments, securities, or other evidence of a right to
22 be paid money to be located in any place other than within a
23 jurisdiction or territory under the control or regulatory power of
24 the United States Government.

1 F. The investment policy shall specify the general philosophy,
2 policies, and procedures to be followed in the investment of state
3 monies by the State Treasurer. The investment policy shall include,
4 but not be limited to, the following:

- 5 1. Policy objectives;
- 6 2. Performance measure objectives;
- 7 3. Authority for investment program;
- 8 4. Possible use of an investment advisory committee;
- 9 5. Reporting and documentation of investments;
- 10 6. Authorized investment instruments;
- 11 7. Diversification of investment risk;
- 12 8. Maturity limitations;
- 13 9. Selections of financial institutions;
- 14 10. Interest controls;
- 15 11. Safekeeping of investments;
- 16 12. Investment ethics; and
- 17 13. Formal adoption of policy.

18 G. The State Treasurer shall provide weekly reports of all
19 investments made by the State Treasurer if requested by the Cash
20 Management and Investment Oversight Commission, and list any
21 commissions, fees, or payments made for services regarding such
22 investments. The reports required by this subsection shall be
23 delivered to the Commission within three (3) business days of the
24 end of the applicable week.

1 H. Not later than July 1 of each year, the State Treasurer
2 shall forward a copy of the written investment policy to the
3 Governor, the Speaker of the House of Representatives, the President
4 Pro Tempore of the Senate, the Attorney General, the Bank
5 Commissioner, and the Director of the Office of Management and
6 Enterprise Services. In addition, the State Treasurer shall
7 maintain one copy of the investment policy in the office of the
8 State Treasurer for public inspection during regular business hours.
9 Copies of any modifications to the investment policy shall be
10 forwarded to the Governor, Speaker of the House of Representatives,
11 President Pro Tempore of the Senate, and each member of the Cash
12 Management and Investment Oversight Commission.

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

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