

STATE OF OKLAHOMA

1st Session of the 60th Legislature (2025)

COMMITTEE SUBSTITUTE
FOR

SENATE BILL NO. 172

By: Bullard of the Senate

and

Wolfley of the House

COMMITTEE SUBSTITUTE

An Act relating to retirement; amending 11 O.S. 2021, Sections 49-100.9 and 50-105.4, which relate to the Oklahoma Firefighters Pension and Retirement System and the Oklahoma Police Pension and Retirement System; allowing the Oklahoma Firefighters Pension and Retirement Board and the Oklahoma Police Pension and Retirement Board to approve cost-of-living adjustment under certain circumstances; amending 20 O.S. 2021, Section 1108, which relates to the Uniform Retirement System for Justices and Judges; allowing the Board of Trustees of the Oklahoma Public Employees Retirement System to approve cost-of-living adjustment under certain circumstances; amending 47 O.S. 2021, Section 2-303.1, which relates to the Oklahoma Law Enforcement Retirement System; allowing the Oklahoma Law Enforcement Retirement Board to approve cost-of-living adjustment under certain circumstances; amending 70 O.S. 2021, Section 17-106.1, which relates to the Teachers' Retirement System of Oklahoma; allowing Board of Trustees of the Teachers' Retirement System of Oklahoma to approve cost-of-living adjustment under certain circumstances; amending 74 O.S. 2021, Section 905, which relates to the Oklahoma Public Employees Retirement System; allowing Board of Trustees of the Oklahoma Public Employees Retirement System to approve cost-of-living adjustment under certain circumstances; updating statutory language; updating

1 statutory references; and making language gender
2 neutral.

3
4 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

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

7 Section 49-100.9. A. The Oklahoma Firefighters Pension and
8 Retirement Board shall discharge their duties with respect to the
9 Oklahoma Firefighters Pension and Retirement System solely in the
10 interest of the participants and beneficiaries and:

11 1. For the exclusive purpose of:

12 a. providing benefits to participants and their
13 beneficiaries, and

14 b. defraying reasonable expenses of administering the
15 System;

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

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

23 4. In accordance with the laws, documents and instruments
24 governing the System.

1 B. The ~~State~~ Board may procure insurance indemnifying the
2 members of the ~~State~~ Board from personal loss or accountability from
3 liability resulting from a member's action or inaction as a member
4 of the ~~State~~ Board.

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

17 D. The Board shall retain qualified investment managers to
18 provide for the investment of the monies of the System. The
19 investment managers shall be chosen by a solicitation of proposals
20 on a competitive bid basis pursuant to standards set by the ~~State~~
21 Board. Subject to the overall investment guidelines set by the
22 ~~State~~ Board, the investment managers shall have full discretion in
23 the management of those monies of the System allocated to the
24 investment managers. The ~~State~~ Board shall manage those monies not

1 specifically allocated to the investment managers. The monies of
2 the System allocated to the investment managers shall be actively
3 managed by the investment managers, which may include selling
4 investments and realizing losses if such action is considered
5 advantageous to longer term return maximization. Because of the
6 total return objective, no distinction shall be made for management
7 and performance evaluation purposes between realized and unrealized
8 capital gains and losses.

9 E. Funds and revenues for investment by the investment managers
10 or the ~~State~~ Board shall be placed with a custodian selected by the
11 ~~State~~ Board. The custodian shall be a bank or trust company
12 offering pension fund master trustee and master custodial services
13 and any related custodial agreement or trust agreement is
14 incorporated herein by reference. The custodian shall be chosen by
15 a solicitation of proposals on a competitive bid basis pursuant to
16 standards set by the ~~State~~ Board. In compliance with the investment
17 policy guidelines of the ~~State~~ Board, the custodian bank or trust
18 company shall be contractually responsible for ensuring that all
19 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 ~~State~~ Board for investing the monies in

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

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

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

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

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

1 annual report shall be written in such a manner as to permit a
2 readily understandable means for analyzing the financial condition
3 and performance of the System for the fiscal year.

4 I. Effective July 1, 2000, the ~~State~~ Board is hereby authorized
5 to do all acts and things necessary and proper to carry out the
6 purpose of the System and to make the least costly amendments and
7 changes, if any, as may be necessary to qualify the System under the
8 applicable sections of the Internal Revenue Code of 1986, as
9 amended.

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

21 2. Except as provided in paragraph 1 of this subsection, a
22 cost-of-living adjustment may be approved by the Board if the funded
23 ratio of the System exceeds eighty percent (80%). Subsequent cost-
24 of-living adjustments may be approved each time thereafter that the

1 System's funded ratio increases by five percent (5%) from the
2 percentage which authorized the previous cost-of-living adjustment.

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

5 Section 50-105.4. A. The Oklahoma Police Pension and
6 Retirement Board shall discharge their duties with respect to the
7 Oklahoma Police Pension and Retirement System solely in the interest
8 of the 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 ~~State~~ Board may procure insurance indemnifying the
24 members of the ~~State~~ Board from personal loss or accountability from

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

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

15 D. The ~~State~~ Board shall retain qualified investment managers
16 to provide for the investment of the monies of the System. The
17 investment managers shall be chosen by a solicitation of proposals
18 on a competitive bid basis pursuant to standards set by the ~~State~~
19 Board unless the ~~State~~ Board deems it necessary and prudent to do
20 otherwise to fulfill its fiduciary responsibility. Subject to the
21 overall investment guidelines set by the ~~State~~ Board, the investment
22 managers shall have full discretion in the management of those
23 monies of the System allocated to the investment managers. The
24 ~~State~~ Board shall manage those monies not specifically allocated to

1 the investment managers. The monies of the System allocated to the
2 investment managers shall be actively managed by the investment
3 managers, which may include selling investments and realizing losses
4 if such action is considered advantageous to longer term return
5 maximization. Because of the total return objective, no distinction
6 shall be made for management and performance evaluation purposes
7 between realized and unrealized capital gains and losses.

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

1 vehicles. Any assets of the System may be invested in a collective
2 investment fund or in a group trust that satisfies the requirements
3 of ~~Rev. Rul.~~ Revenue Ruling 81-100, as further amended by ~~Rev. Rul.~~
4 Revenue Ruling 2004-67, ~~Rev. Rul.~~ Revenue Ruling 2008-40, and ~~Rev.~~
5 ~~Rul.~~ Revenue Ruling 2011-1, and as subsequently amended by future
6 guidance. Each such collective investment fund or group trust is
7 adopted, with respect to any monies invested therein, as part of the
8 System, its trust, and custodial account and each such declaration
9 of trust or trust agreement and related adoption, participation,
10 investment management, subtrust or other agreements, as amended from
11 time to time, with respect to any monies invested therein, are
12 incorporated by reference into the System, its trust agreement(s) or
13 custodial agreement(s), upon approval by the ~~State~~ Board.

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

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

1 of the System during the past fiscal year, including income,
2 disbursements, and the financial condition of the System at the end
3 of the fiscal year. The annual report shall also contain a summary
4 of the results of the most recent actuarial valuation to include
5 total assets, total liabilities, unfunded liability or over funded
6 status, contributions and any other information deemed relevant by
7 the ~~State~~ Board. The annual report shall be written in such a
8 manner as to permit a readily understandable means for analyzing the
9 financial condition and performances of the System for the fiscal
10 year.

11 H. The ~~State~~ Board shall adopt a ~~cost-of-living~~ cost-of-living
12 adjustment actuarial assumption in its annual actuarial valuation
13 report.

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

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

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

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

1 employees, and agents to carry out fully and effectively the
2 purposes and intent of ~~this act~~ Section 1101 et seq. of this title.

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

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

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

20 4. The Board shall establish rules for the administration of
21 the System and for the transaction of its business consistent with
22 law, which rules shall be promulgated in compliance with the
23 Administrative Procedures Act.

1 5. The Board may adopt all necessary actuarial tables to be
2 used in the operation of the System as recommended by the actuary
3 and may compile such additional data as may be necessary for
4 required actuarial valuation calculations.

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

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

23 B. The Board of Trustees of the Oklahoma Public Employees
24 Retirement System shall compile a quarterly financial report of all

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

20 C. There is hereby created the Retirement Medical Benefit Fund.
21 ~~The fund shall~~ to be maintained as a subaccount of the ~~State~~
22 Oklahoma Judicial Retirement Fund. The Retirement Medical Benefit
23 Fund is composed of all assets which may be contributed to this
24 subaccount to pay the retirement system's portion of the monthly

1 retiree health insurance premium benefit described by Section 1316.2
2 of Title 74 of the Oklahoma Statutes. All such allocated assets and
3 any earnings thereon in the Retirement Medical Benefit Fund shall be
4 held for the exclusive purpose of providing retiree medical
5 benefits. The Retirement Medical Benefit Fund is to be administered
6 in accordance with the requirements of Section 401(h) of the
7 Internal Revenue Code of 1986, as amended, from time to time. The
8 Board of Trustees may promulgate such rules as are necessary to
9 implement the funding and administration of the fund pursuant to the
10 provisions of this subsection.

11 D. After July 1 and before December 1 of each year, the Board
12 of Trustees of the Oklahoma Public Employees Retirement System shall
13 publish widely an annual report presented in simple and easily
14 understood language pursuant to uniform reporting standards
15 prescribed by the Oklahoma State Pension Commission for all state
16 retirement systems. The report shall be submitted to the Governor,
17 the Speaker of the House of Representatives, the President Pro
18 Tempore of the Senate, the Oklahoma State Pension Commission and the
19 members of the System. The annual report shall cover the operation
20 of the System during the past fiscal year, including income,
21 disbursements, and the financial condition of the System at the end
22 of the fiscal year. The annual report shall also contain the
23 information issued in the quarterly reports required pursuant to
24 subsection B of this section as well as a summary of the results of

1 the most recent actuarial valuation to include total assets, total
2 liabilities, unfunded liability or overfunded status, contributions
3 and any other information deemed relevant by the Board of Trustees.
4 The annual report shall be written in such a manner as to permit a
5 readily understandable means for analyzing the financial condition
6 and performance of the System for the fiscal year.

7 E. The Board shall adopt a ~~cost-of-living~~ cost-of-living
8 adjustment actuarial assumption in its annual actuarial valuation
9 report.

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

21 2. Except as provided in paragraph 1 of this subsection, a
22 cost-of-living adjustment may be approved by the Board if the funded
23 ratio of the System exceeds eighty percent (80%). Subsequent cost-
24 of-living adjustments may be approved each time thereafter that the

1 System's funded ratio increases by five percent (5%) from the
2 percentage which authorized the previous cost-of-living adjustment.

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.

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

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

16 1. For the exclusive purpose of:

17 a. providing benefits to participants and their

18 beneficiaries, and

19 b. defraying reasonable expenses of administering the

20 System;

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

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

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

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

17 C. The Board of Trustees may procure insurance indemnifying the
18 members of the Board of Trustees from personal loss or
19 accountability from liability resulting from a member's action or
20 inaction as a member of the Board.

21 D. The Board of Trustees may establish an investment committee.
22 The investment committee shall be composed of not more than five (5)
23 members of the Board of Trustees appointed by the chairman of the
24 Board of Trustees. The committee shall make recommendations to the

1 full Board of Trustees on all matters related to the choice of
2 custodians and managers of the assets of the System, on the
3 establishment of investment and fund management guidelines, and in
4 planning future investment policy. The committee shall have no
5 authority to act on behalf of the Board of Trustees in any
6 circumstances whatsoever. No recommendation of the committee shall
7 have effect as an action of the Board of Trustees nor take effect
8 without the approval of the Board of Trustees as provided by law.

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

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

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

21 H. The Board of Trustees shall compile a quarterly financial
22 report of all the funds of the System on a fiscal year basis. The
23 report shall be compiled pursuant to uniform reporting standards
24 prescribed by the Oklahoma State Pension Commission for all state

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

15 I. After July 1 and before December 1 of each year, the Board
16 of Trustees shall publish widely an annual report presented in
17 simple and easily understood language pursuant to uniform reporting
18 standards prescribed by the Oklahoma State Pension Commission for
19 all state retirement systems. The report shall be submitted to the
20 Governor, the Speaker of the House of Representatives, the President
21 Pro Tempore of the Senate, the Oklahoma State Pension Commission and
22 the members of the System. The annual report shall cover the
23 operation of the System during the past fiscal year, including
24 income, disbursements, and the financial condition of the System at

1 the end of the fiscal year. The annual report shall also contain
2 the information issued in the quarterly reports required pursuant to
3 subsection H of this section as well as a summary of the results of
4 the most recent actuarial valuation to include total assets, total
5 liabilities, unfunded liability or over funded status, contributions
6 and any other information deemed relevant by the Board of Trustees.
7 The annual report shall be written in such a manner as to permit a
8 readily understandable means for analyzing the financial condition
9 and performance of the System for the fiscal year.

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

22 2. Except as provided in paragraph 1 of this subsection, a
23 cost-of-living adjustment may be approved by the Board of Trustees
24 if the funded ratio of the System exceeds eighty percent (80%).

1 Subsequent cost-of-living adjustments may be approved each time
2 thereafter that the System's funded ratio increases by five percent
3 (5%) from the percentage which authorized the previous cost-of-
4 living adjustment.

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

7 Section 905. ~~(1)~~ A. There shall be a Board of Trustees of the
8 Oklahoma Public Employees Retirement System which shall consist of
9 fourteen (14) members as follows and all appointees shall serve
10 their terms at the pleasure of the appointing authority and may be
11 removed or replaced without cause: a member of the Corporation
12 Commission or the Commission's designee selected by the Corporation
13 Commission, the Director of the Office of Management and Enterprise
14 Services or the Director's designee, the ~~State~~ Insurance
15 Commissioner or the Commissioner's designee, the Director of Human
16 Capital Management of the Office of Management and Enterprise
17 Services, a member of the Oklahoma Tax Commission selected by the
18 Tax Commission, the State Treasurer or the Treasurer's designee,
19 three members appointed by the Governor, one member appointed by the
20 Supreme Court, two members appointed by the Speaker of the House of
21 Representatives and two members appointed by the President Pro
22 Tempore of the State Senate. One member appointed by the Governor
23 shall be an active member of the System. One member appointed by
24 the Speaker shall be an active member of the System. One member

1 appointed by the President Pro Tempore shall be a retired member of
2 the System.

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

8 ~~(3)~~ C. Members of the Board of Trustees on July 1, 1988, who
9 were appointed by the Speaker of the House of Representatives or by
10 the President Pro Tempore of the Senate shall complete their term of
11 office for which they were appointed. The initial term of office of
12 members appointed thereafter shall expire on January 8, 1991. The
13 members thereafter appointed by the Speaker of the House of
14 Representatives and by the President Pro Tempore of the Senate shall
15 serve terms of office of four (4) years.

16 ~~(4)~~ D. The initial term of office of the members appointed by
17 the Governor shall expire on January 14, 1991. The members
18 thereafter appointed by the Governor shall serve a term of office of
19 four (4) years which is coterminous with the term of office of the
20 office of the appointing authority.

21 ~~(5)~~ E. One of the members appointed to the Board by the
22 Speaker of the House of Representatives and by the President Pro
23 Tempore of the Senate and two members appointed to the Board by the
24 Governor shall:

1 ~~(a) have~~ 1. Have demonstrated professional experience in
2 investment or funds management, public funds management, public or
3 private pension fund management or retirement system management~~7i~~

4 ~~(b) have~~ 2. Have demonstrated experience in the banking
5 profession and have demonstrated professional experience in
6 investment or funds management~~7i~~

7 ~~(c) be~~ 3. Be licensed to practice law in this state and have
8 demonstrated professional experience in commercial matters~~7i~~ or

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

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

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

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

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

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

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

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

20 2. Except as provided in paragraph 1 of this subsection, a
21 cost-of-living adjustment may be approved by the Board if the funded
22 ratio of the System exceeds eighty percent (80%). Subsequent cost-
23 of-living adjustments may be approved each time thereafter that the
24

1 System's funded ratio increases by five percent (5%) from the
2 percentage which authorized the previous cost-of-living adjustment.

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