

STATE OF OKLAHOMA

2nd Session of the 55th Legislature (2016)

HOUSE BILL 2647

By: McPeak and Pruett

AS INTRODUCED

An Act relating to the Teachers' Retirement System of Oklahoma; amending 70 O.S. 2011, Section 17-106, as last amended by Section 1, Chapter 13, O.S.L 2014 (70 O.S. Supp. 2015, Section 17-106), which relates to the Board of Trustees; providing for appointment of voting member to Board of Trustees by certain organization; providing for end of term of office for nonvoting member; prescribing procedures related to eligibility of organization to make appointment; prescribing term of office; providing for successive terms of office; providing for removal of member based on action by the Board of Trustees; prescribing procedures for appointment of member by different organization; requiring proof of eligibility to make appointment; authorizing Board of Trustees to provide for method of alternating service; prohibiting certain actions prior to end of initial three-year term; modifying provisions related to required number of votes by the Board of Trustees; and providing an effective date.

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

SECTION 1. AMENDATORY 70 O.S. 2011, Section 17-106, as last amended by Section 1, Chapter 13, O.S.L. 2014 (70 O.S. Supp. 2015, Section 17-106), is amended to read as follows:

1 Section 17-106. (1) The general administration and
2 responsibility for the proper operation of the retirement system and
3 for making effective the provisions of the act are hereby vested in
4 a Board of Trustees which shall be known as the Board of Trustees
5 and shall be organized immediately after a majority of the trustees
6 provided for in this section shall have qualified and taken the oath
7 of office.

8 (2) The Board shall consist of the following members:

9 (a) The State Superintendent of Public Instruction, ex officio
10 or a designee.

11 (b) The Director of the Office of Management and Enterprise
12 Services, ex officio or a designee.

13 (c) The Director of the Oklahoma Department of Career and
14 Technology Education, ex officio, or his or her designee.

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

20 (e) Two members shall be appointed by the Governor of the State
21 of Oklahoma and approved by the Senate. The two members shall be:

22 1. a representative of a school of higher education in Oklahoma
23 whose term of office shall initially be one (1) year, and 2. a
24 member of the System of the nonclassified optional personnel status

1 whose initial term of office shall be two (2) years. After the
2 initial terms of office the terms of the members shall be four (4)
3 years.

4 (f) Upon the expiration of the term of office of the
5 stockbroker member of the Board, the Governor shall appoint a member
6 to the Board whose initial term of office shall expire on January
7 14, 1991. The members thereafter appointed by the Governor shall
8 serve a term of office of four (4) years which is coterminous with
9 the term of office of the office of the appointing authority.

10 (g) Upon the expiration of the term of office of the
11 representative of the insurance industry member of the Board, the
12 Governor shall appoint a member to the Board whose initial term of
13 office shall expire on January 14, 1991. The members thereafter
14 appointed by the Governor shall serve a term of office of four (4)
15 years which is coterminous with the term of office of the office of
16 the appointing authority.

17 (h) Upon the expiration of the term of office of the investment
18 counselor member of the Board, the Governor shall appoint a member
19 to the Board whose initial term of office shall expire on January
20 14, 1991. The members thereafter appointed by the Governor shall
21 serve a term of office of four (4) years which is coterminous with
22 the term of office of the office of the appointing authority.

23 (i) Upon the expiration of the term of office of the active
24 classroom teacher member of the Board, the President Pro Tempore of

1 the Senate shall appoint a member to the Board, who shall be an
2 active classroom teacher and whose initial term of office shall
3 expire on January 8, 1991. The members thereafter appointed by the
4 President Pro Tempore of the Senate shall serve a term of office of
5 four (4) years.

6 (j) Upon the expiration of the term of office of the retired
7 classroom teacher member of the Board, the Speaker of the House of
8 Representatives shall appoint a member to the Board, who shall be a
9 retired member of the System and whose initial term of office shall
10 expire on January 8, 1991. The members thereafter appointed by the
11 Speaker of the House of Representatives shall serve a term of office
12 of four (4) years.

13 (k) The Speaker of the House of Representatives shall appoint a
14 member to the Board, who shall be an active classroom teacher and
15 whose initial term of office shall expire on January 3, 1989. The
16 members thereafter appointed by the Speaker of the House of
17 Representatives shall serve a term of office of four (4) years.

18 (l) The President Pro Tempore of the Senate shall appoint a
19 member to the Board, who shall be a retired member of the System and
20 whose initial term of office shall expire on January 3, 1989. The
21 members thereafter appointed by the President Pro Tempore of the
22 Senate shall serve a term of office of four (4) years.

23 (m) A statewide organization representing retired educators
24 shall appoint a member to the Board who shall be a nonvoting member.

1 The position authorized by this paragraph shall terminate by
2 operation of law upon the January 1 date immediately following the
3 effective date of this act and the person occupying such position
4 shall cease to be a member of the Board of Trustees on such January
5 1 date.

6 (n) A statewide organization having a membership of at least
7 seven thousand (7,000) persons representing retired educators shall
8 appoint a member to the Board who shall be a voting member. The
9 statewide organization representing retired members of the System
10 shall provide satisfactory proof to the Executive Director of the
11 System that it represents at least seven thousand (7,000) dues-
12 paying members and that the organization provides membership
13 benefits to its members. Upon such proof, the statewide
14 organization shall be eligible to make the appointment authorized by
15 this paragraph. The appointee shall be a retired member of the
16 System. The term to which the member is appointed shall be a three-
17 year term. The initial appointment for the position created by this
18 paragraph shall be made so that the member can begin service on the
19 January 1 date immediately following the effective date of this act.
20 A member appointed pursuant to the provisions of this paragraph
21 shall be eligible to serve successive terms of office. The member
22 appointed to the position authorized by this paragraph may not be
23 removed by the appointing authority during the term to which the
24 member is appointed, but the Board of Trustees may, by majority

1 vote, remove the member appointed to the position subject to the
2 same requirements of law that would be applicable to any other
3 member of the Board.

4 (o) If, subsequent to the appointment of a member pursuant to
5 paragraph (n) of this subsection, a different organization is able
6 to demonstrate that it has at least seven thousand (7,000) dues-
7 paying members, that organization may submit proof of its
8 qualifications as an appointing authority to the Executive Director
9 of the System. If the organization is qualified to make an
10 appointment based on its proof of membership, the Board of Trustees
11 may provide for a division of the term of office created pursuant to
12 paragraph (n) of this subsection in a manner that allows each
13 organization to have its respective appointee serve in an
14 alternating capacity during the three-year term of office. No
15 appointment by the organization described by this paragraph may be
16 made until the expiration of the first three-year term of office
17 served by the member described by paragraph (n) of this subsection.

18 (3) Persons who are appointed to the Board of Trustees by the
19 Governor pursuant to paragraphs (d), (f), (g) and (h) of subsection
20 (2) of this section shall:

21 (a) have demonstrated professional experience in investment or
22 funds management, public funds management, public or private pension
23 fund management or retirement system management; or
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1 (b) have demonstrated experience in the banking profession and
2 have demonstrated professional experience in investment or funds
3 management; or

4 (c) be licensed to practice law in this state and have
5 demonstrated professional experience in commercial matters; or

6 (d) be licensed by the Oklahoma Accountancy Board to practice
7 in this state as a public accountant or a certified public
8 accountant.

9 The appointing authorities, in making appointments that conform
10 to the requirements of this subsection, shall give due consideration
11 to balancing the appointments among the criteria specified in
12 paragraphs (a) through (d) of this subsection.

13 (4) No member of the Board of Trustees shall be a lobbyist
14 registered in this state as provided by law.

15 (5) Notwithstanding any of the provisions of this section to
16 the contrary, any person serving as an appointed member of the Board
17 of Trustees on July 1, 1988, shall be eligible for reappointment
18 when the term of office of the member expires.

19 (6) If a vacancy occurs in the office of a trustee, the vacancy
20 shall be filled for the unexpired term in the same manner as the
21 office was previously filled.

22 (7) Each of the trustees, except those who are state officials
23 serving ex officio, shall receive travel expenses in accordance with
24 the State Travel Reimbursement Act.

1 (8) Each trustee shall, within ten (10) days after his or her
2 appointment or election, take an oath of office that, so far as it
3 devolves upon him or her, the trustee will diligently and honestly
4 administer the affairs of the Board of Trustees and that he or she
5 will not knowingly violate or willingly permit to be violated any of
6 the provisions of law applicable to the retirement system. Such
7 oath shall be subscribed to by the member making it, certified by
8 the officer before whom it is taken, and immediately filed in the
9 office of the Secretary of State.

10 (9) Each trustee shall be entitled to one vote on the Board of
11 Trustees. Seven votes shall be necessary for a decision by the
12 trustees at any meeting of the Board until the appointment provided
13 for by paragraph (n) of subsection (2) of this section is made. On
14 and after the date as of which the appointment provided for by
15 paragraph (n) of subsection (2) of this section is made, eight votes
16 shall be necessary for a decision by the trustees at any meeting of
17 the Board.

18 (10) Subject to the limitations of this act, the Board of
19 Trustees shall, from time to time, establish rules and regulations
20 for the administration of the funds created by this act and for the
21 transaction of its business. Provided that such rules and
22 regulations may include rules and regulations providing for the
23 withholding from the retirement allowance due a retired person under
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1 the provisions of this act an amount requested in writing by the
2 retiree for the purpose of paying:

3 (a) monthly premiums on group hospital and surgical insurance
4 programs to which such retiree belongs, and for the transmitting of
5 the sums so withheld to the insurance carrier designated by the
6 retiree; and

7 (b) membership dues in any statewide association limited to
8 retired educator membership with a minimum membership of one
9 thousand (1,000) dues-paying members and for the transmitting of the
10 sums so withheld.

11 (11) The Board of Trustees shall elect from its membership a
12 chair, and by a majority vote of all of its members shall appoint a
13 secretary-treasurer, who may be, but need not be, one of its
14 members. The Board shall employ an executive director and shall
15 engage such actuarial and other service as shall be required to
16 transact the business of the retirement system. The compensation of
17 all persons engaged by the Board and all other expenses of the Board
18 necessary for the operation of the retirement system shall be paid
19 at such rates and in such amounts as the Board shall approve.

20 (12) The members of the Board of Trustees, the Executive
21 Director and the employees of the System shall not accept gifts or
22 gratuities from an individual organization with a value in excess of
23 Fifty Dollars (\$50.00) per year. The provisions of this section
24 shall not be construed to prevent the members of the Board of

1 Trustees, the Executive Director or the employees of the System from
2 attending educational seminars, conferences, meetings or similar
3 functions which are paid for, directly or indirectly, by more than
4 one organization.

5 (13) The Board of Trustees shall keep in convenient form such
6 data as shall be necessary for actuarial valuation of the various
7 funds of the retirement system and for checking the experience of
8 the system.

9 (14) The Board of Trustees shall keep a record of all of its
10 proceedings which shall be open to public inspection. It shall
11 publish annually a report showing the fiscal transactions of the
12 retirement system for the preceding school year, the amount of the
13 accumulated cash and securities of the system, and the last balance
14 sheet showing the financial condition of the system by means of an
15 actuarial valuation of the assets and liabilities of the retirement
16 system and a detailed accounting of its administrative expenses.

17 (15) The Board of Trustees shall retain an attorney who is
18 licensed to practice law in this state. The attorney shall serve at
19 the pleasure of the Board of Trustees for such compensation as may
20 be provided by the Board of Trustees. The attorney shall advise the
21 Board of Trustees and perform legal services for the Board of
22 Trustees with respect to any matters properly before the Board of
23 Trustees. When requested by the Board of Trustees, the Attorney
24 General of the state also shall render legal services to the Board

1 of Trustees. In addition to the above, the Board of Trustees may
2 employ hearing examiners to conduct administrative grievance
3 hearings under the provisions of the Administrative Procedures Act.

4 (16) Suitable offices shall be furnished by the Office of
5 Management and Enterprise Services. Upon the failure or inability
6 of the Office of Management and Enterprise Services to provide
7 adequate facilities, the Board of Trustees may contract for
8 necessary office space in suitable quarters.

9 (17) The Board of Trustees shall designate a Medical Board to
10 be composed of three physicians not eligible to participate in the
11 retirement system. The physicians so appointed by the Board of
12 Trustees shall be legally qualified to practice medicine in Oklahoma
13 and shall be physicians of good standing in the medical profession.
14 If required, other physicians may be employed to report on special
15 cases. The Medical Board shall pass upon all medical examinations
16 required under the provisions of this act and shall investigate all
17 essential statements and certificates by or on behalf of a member in
18 connection with an application for disability retirement and shall
19 report in writing to the Board of Trustees its conclusion and
20 recommendation upon all the matters referred to it. The Board of
21 Trustees shall adopt such rules and regulations as may be necessary
22 to properly administer this benefit.

23 (18) The Board of Trustees shall designate an actuary who shall
24 be the technical advisor of the Board of Trustees on matters

1 regarding the operation of funds created by the provisions of this
2 act and shall perform such other duties as are required in
3 connection therewith.

4 (19) At least once each five (5) years the actuary shall make
5 an actuarial investigation of the experience of the retirement
6 system, including the mortality, service and compensation experience
7 of members and beneficiaries. Based on the results of such
8 investigation the actuary shall recommend for adoption by the Board
9 of Trustees such tables and rates as are required for the operation
10 of the retirement system and for the preparation of annual actuarial
11 valuations.

12 (20) On the basis of such tables and rates as the Board of
13 Trustees shall adopt, the actuary shall prepare an annual actuarial
14 valuation of the assets and liabilities of the retirement system and
15 certify the rates of contribution payable by the state under the
16 provisions of law concerning the Teachers' Retirement System.

17 SECTION 2. This act shall become effective November 1, 2016.

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19 55-2-8850 MAH 01/20/16

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January 14, 2016

Representative R. C. Pruett
Room 501
Representative Jerry McPeak
Room 503

Re: RBH No. 8850

RBH No. 8850 removes the non voting member of the OTRS board representing retired educators and replaced by a voting member appointed by a statewide organization representing retired educators with at least 7,000 members.

RBH No. 8850 is a non fiscal retirement bill as defined by the Oklahoma Pension Legislation Analysis Act because the bill does not contain a benefit increase nor create liability.

I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Thomas E. Cummins

Thomas E. Cummins, MAAA