

1 STATE OF OKLAHOMA

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

3 SENATE BILL 574

By: Montgomery

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6 AS INTRODUCED

7 An Act relating to fiscal affairs; amending 62 O.S.
8 2021, Section 89.2, which relates to investments of
9 public funds; authorizing the State Treasurer to
10 purchase and invest in debt obligations of certain
retirement systems; limiting maturity; limiting
interest paid; updating statutory language; and
providing an effective date.

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

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

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

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

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

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

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

19 9. Bonds, notes, debentures, or other similar obligations of a
20 foreign government which the International Monetary Fund lists as an
21 industrialized country and for which the full faith and credit of
22 such nation has been pledged for the payment of principal and
23 interest; provided, that any such security shall be rated at least
24 A- or better by ~~Standard & Poor's Corporation~~ S&P Global or A3 or

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

9 a. is identified as a state sponsor of terrorism by the
10 United States Department of State, or

11 b. any authoritarian or totalitarian government the
12 sovereign powers of which are exercised through a
13 single person or group of persons who are not elected
14 by any form of legitimate popular voting; and

15 10. Bonds, notes, debentures, or other similar obligations of
16 the Teachers' Retirement System of Oklahoma, Oklahoma Public
17 Employees Retirement System, Oklahoma Firefighters Pension and
18 Retirement System, Oklahoma Police Pension and Retirement System,
19 Oklahoma Law Enforcement Retirement System, Uniform Retirement
20 System for Justices and Judges, and Retirement Plan for Full-Time
21 Employees of the Department of Wildlife Conservation which shall not
22 have a maturity that exceeds three (3) years. Interest shall be
23 paid on the obligations at an annual rate equal or exceeding three
24 (3) percentage points and not exceeding (6) percentage points

1 greater than the rate of interest paid for a fifty-two-week Treasury
2 Bill of the United States government as of the first working day of
3 the month in which the obligation is issued.

4 B. Investments shall be made with judgment and care, under
5 circumstances then prevailing, which persons of prudence,
6 discretion, and intelligence exercise in the management of their own
7 affairs, not for speculation, but for investment, considering the
8 probable safety of their capital as well as the probable income to
9 be derived.

10 C. The State Treasurer shall appoint an investment officer who
11 shall perform duties related to the investment of state funds in the
12 Office of the State Treasurer. The investment officer shall not
13 perform or supervise any accounting functions, data processing
14 functions, or duties related to the documentation or settlement of
15 investment transactions.

16 D. Investments of public funds by the State Treasurer shall be
17 made in accordance with written policies developed by the State
18 Treasurer. The written investment policies shall address:

- 19 1. Liquidity;
- 20 2. Diversification;
- 21 3. Safety of principal;
- 22 4. Yield;
- 23 5. Maturity and quality; and
- 24 6. Capability of investment management.

1 The State Treasurer shall place primary emphasis on safety and
2 liquidity in the investment of public funds. To the extent
3 practicable taking into account the need to use sound investment
4 judgment, the written investment policies shall include provision
5 for utilization of a system of competitive bidding in the investment
6 of state funds. The written investment policies shall be designed
7 to maximize yield within each class of investment instrument,
8 consistent with the safety of the funds invested.

9 E. The State Treasurer shall select one custodial bank to
10 settle transactions involving the investment of state funds under
11 the control of the State Treasurer. The State Treasurer shall
12 review the performance of the custodial bank at least once every
13 year. The State Treasurer shall require a written competitive bid
14 every five (5) years. The custodial bank shall have a minimum of
15 Five Hundred Million Dollars (\$500,000,000.00) in assets to be
16 eligible for selection. Any out-of-state custodial bank shall have
17 a service agent in the State of Oklahoma so that service of summons
18 or legal notice may be had on such designated agent as is now or may
19 hereafter be provided by law. In order to be eligible for
20 selection, the custodial bank shall allow electronic access to all
21 transaction and portfolio reports maintained by the custodial bank
22 involving the investment of state funds under control of the State
23 Treasurer. The access shall be given to both the State Treasurer
24 and to the Cash Management and Investment Oversight Commission. The

1 requirement for electronic access shall be incorporated into any
2 contract between the State Treasurer and the custodial bank.

3 Neither the State Treasurer nor the custodial bank shall permit any
4 of the funds under the control of the State Treasurer or any of the
5 documents, instruments, securities, or other evidence of a right to
6 be paid money to be located in any place other than within a
7 jurisdiction or territory under the control or regulatory power of
8 the United States Government.

9 F. The investment policy shall specify the general philosophy,
10 policies, and procedures to be followed in the investment of state
11 monies by the State Treasurer. The investment policy shall include,
12 but not be limited to, the following:

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

1 13. Formal adoption of policy.

2 G. The State Treasurer shall provide weekly reports of all
3 investments made by the State Treasurer if requested by the Cash
4 Management and Investment Oversight Commission, and list any
5 commissions, fees, or payments made for services regarding such
6 investments. The reports required by this subsection shall be
7 delivered to the Commission within three (3) business days of the
8 end of the applicable week.

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

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