

1 STATE OF OKLAHOMA

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

3 SENATE BILL 1062

By: Montgomery

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6 AS INTRODUCED

7 An Act relating to fiscal affairs; requiring the
8 State Treasurer to create certain investment pool;
9 authorizing certain funds to be invested; requiring
10 the State Treasurer to invest pool funds; providing
11 for certain obligations of public retirement systems;
12 limiting maturity; limiting interest paid; amending
13 62 O.S. 2021, Section 89.2, which relates to
14 investments of public funds; authorizing the State
15 Treasurer to purchase and invest in debt obligations
16 of certain retirement systems; updating statutory
17 language; providing for codification; and providing
18 an effective date.

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

20 SECTION 1. NEW LAW A new section of law to be codified
21 in the Oklahoma Statutes as Section 89.12 of Title 62, unless there
22 is created a duplication in numbering, reads as follows:

23 A. The State Treasurer shall create an investment pool for
24 obligations as provided in subsection B of this section. Funds
25 authorized to be invested under the direction of the Oklahoma
26 Employees Insurance and Benefits Board, Comsource Mutual Insurance
27 Company, the Multiple Injury Trust Fund Director, and the Workers'
28 Compensation Commission may invest in the pool.

1 B. The State Treasurer shall invest the funds of the investment
2 pool created in subsection A of this section in bonds, notes,
3 debentures, or other similar obligations of the Teachers' Retirement
4 System of Oklahoma, Oklahoma Public Employees Retirement System,
5 Oklahoma Firefighters Pension and Retirement System, Oklahoma Police
6 Pension and Retirement System, Oklahoma Law Enforcement Retirement
7 System, Uniform Retirement System for Justices and Judges, and
8 Retirement Plan for Full-Time Employees of the Department of
9 Wildlife Conservation which shall not have a maturity that exceeds
10 three (3) years. Interest shall be paid on the obligations at an
11 annual rate equal or exceeding three (3) percentage points and not
12 exceeding (6) percentage points greater than the rate of interest
13 paid for a fifty-two-week Treasury Bill of the United States
14 government as of the first working day of the month in which the
15 obligation is issued.

16 SECTION 2. AMENDATORY 62 O.S. 2021, Section 89.2, is
17 amended to read as follows:

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

1 1. Obligations of the United States Government, its agencies
2 and instrumentalities, or other obligations fully insured or
3 unconditionally guaranteed as to the payment of principal and
4 interest by the United States government or any of its agencies and
5 instrumentalities;

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

9 3. Negotiable certificates of deposit issued by a nationally or
10 state-chartered bank, a savings bank, a savings and loan
11 association, or a state-licensed branch of a foreign bank.

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

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

1 5. Prime commercial paper which shall not have a maturity that
2 exceeds one hundred eighty (180) days nor represent more than ten
3 percent (10%) of the outstanding paper of an issuing corporation.
4 Purchases of prime commercial paper shall not exceed seven and one-
5 half percent (7 1/2%) of the cash available for investment which may
6 be invested pursuant to this section;

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

14 7. Repurchase agreements, provided that such agreements are
15 included within the written investment policy required by subsection
16 D of this section that have underlying collateral consisting of
17 those items and those restrictions specified in paragraphs 1 through
18 6 of this subsection;

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

23 9. Bonds, notes, debentures, or other similar obligations of a
24 foreign government which the International Monetary Fund lists as an
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1 industrialized country and for which the full faith and credit of
2 such nation has been pledged for the payment of principal and
3 interest; provided, that any such security shall be rated at least
4 A- or better by ~~Standard & Poor's Corporation~~ S&P Global or A3 or
5 better by Moody's Investors Service, or an equivalent investment
6 grade by a securities ratings organization accepted by the National
7 Association of Insurance Commissioners; and provided further, that
8 the total investment in such foreign securities at any one time
9 shall not exceed five percent (5%) of the cash available for
10 investment which may be invested pursuant to this section. In no
11 circumstance shall investments be made in bonds, notes, debentures,
12 or any similar obligations of a foreign government that:

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

19 10. Bonds, notes, debentures, or other similar obligations of
20 public retirement systems as provided in Section 1 of this act.

21 B. Investments shall be made with judgment and care, under
22 circumstances then prevailing, which persons of prudence,
23 discretion, and intelligence exercise in the management of their own
24 affairs, not for speculation, but for investment, considering the

1 probable safety of their capital as well as the probable income to
2 be derived.

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

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

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

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

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

21 Neither the State Treasurer nor the custodial bank shall permit any
22 of the funds under the control of the State Treasurer or any of the
23 documents, instruments, securities, or other evidence of a right to
24 be paid money to be located in any place other than within a

1 jurisdiction or territory under the control or regulatory power of
2 the United States Government.

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

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

20 G. The State Treasurer shall provide weekly reports of all
21 investments made by the State Treasurer if requested by the Cash
22 Management and Investment Oversight Commission, and list any
23 commissions, fees, or payments made for services regarding such
24 investments. The reports required by this subsection shall be

1 delivered to the Commission within three (3) business days of the
2 end of the applicable week.

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

15 SECTION 3. This act shall become effective November 1, 2023.

17 59-1-500 QD 1/19/2023 1:16:23 PM