

SENATE BILL NO. 594

BY SENATORS B. GAUTREAUX, APPEL AND THOMPSON

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AN ACT

To amend and reenact R.S. 11:62(5)(a), 263(C) and (D), 444(A)(1), and the introductory paragraph of R.S. 11:553, to enact R.S. 11:263(G) and 551(B), and to repeal R.S. 11:62(5)(h), 263(E), 267, and 268, relative to public retirement systems; to provide for employee contribution rates, computation of benefits, and eligibility; to provide relative to the prudent-man rule, investment authority and restrictions, and asset allocation; to require quarterly investment reports; to provide for an effective date; and to provide for related matters.

Notice of intention to introduce this Act has been published.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 11:62(5)(a), 263(C) and (D), 444(A)(1), and the introductory paragraph of R.S. 11:553 are hereby amended and reenacted and R.S. 11:263(G) and 551(B) are enacted to read as follows:

§62. Employee contribution rates established

Employee contributions to state and statewide public retirement systems shall be paid at the following rates, **except as otherwise provided by law:**

* * *

(5) Louisiana State Employees' Retirement System:

(a) Judges, court officers, the governor, lieutenant governor and legislators ~~=11.5%.~~ :

(i) Employees whose first employment making them eligible for membership in one of the state systems occurred on or before December 31, 2010 - 11.5%.

(ii) Employees, other than judges in Item (iii) of this Subparagraph, whose first employment making them eligible for membership in one of the state systems occurred on or after January 1, 2011 - 8%.

1 (iii) Judges holding positions specified in R.S. 11:553(1), (3) through (5),
 2 (7), and (10) through (15) whose first employment making them eligible for
 3 membership in one of the state systems occurred on or after January 1, 2011 -
 4 13%.

5 * * *

6 §263. Prudent-man rule; investments; **reporting**

7 * * *

8 C. This standard requires the exercise of reasonable care, skill, and caution,
 9 and is to be applied to investments not in isolation, but in the context of the trust
 10 portfolio, and as part of an overall investment strategy, which shall include an asset
 11 allocation study and plan for implementation thereof, incorporating risk and return
 12 objectives reasonably suitable to that trust. **The asset allocation study and**
 13 **implementation plan shall include the examination of market value risk, credit**
 14 **risk, interest rate risk, inflation risk, counterparty risk, and concentration risk.**
 15 **The investment policy of each system, plan, or fund shall preserve and enhance**
 16 **principal over the long term and provide adequate liquidity and cash flow for**
 17 **the payment of benefits. The investments shall be diversified to minimize the**
 18 **risk of significant losses unless it is clearly prudent not to do so.**

19 D.(1) Notwithstanding the prudent-man rule, no governing authority of any
 20 system or fund governed by this Subpart shall invest more than fifty-five percent of
 21 the total portfolio in equities, except as provided in Paragraph (2) of this Subsection,
 22 ~~or in R.S. 11:267.~~

23 (2) The governing authority of any system ~~to which R.S. 11:267(A) is~~
 24 ~~inapplicable~~ may invest more than fifty-five percent of the total portfolio in equities,
 25 so long as not more than sixty-five percent of the total portfolio is invested in
 26 equities and at least ten percent of the total equity portfolio is invested in one or
 27 more index funds which seek to replicate the performance of the chosen index or
 28 indices.

29 **(3) When contemplating any investment, action, or asset allocation the**
 30 **following factors shall be given weight:**

1 **(3) Investment returns reported pursuant to this Subsection shall be by**
2 **total fund and particular asset class over the quarter reported, fiscal year-to-**
3 **date, one year, three year, five year, and ten year periods.**

4 * * *

5 §444. Computation of retirement benefit

6 A.(1)(a)**(i)** A member who retires effective on or after July 1, 1973, shall
7 receive a maximum retirement allowance equal to two and one-half percent of
8 average compensation, as determined under R.S. 11:231, for every year of creditable
9 service, plus three hundred dollars.

10 **(ii) Any member whose first employment making him eligible for**
11 **membership in one of the state systems occurred on or after January 1, 2011,**
12 **shall receive an additional benefit equal to one percent times the number of**
13 **years of creditable service as a judge in a position specified in R.S. 11:553(1), (3)**
14 **through (5), (7), and (10) through (15) times his average compensation.**

15 (b) The additional sum of three hundred dollars referenced in Subparagraph
16 (a) of this Paragraph shall only apply to a person who became a member prior to July
17 1, 1986.

18 * * *

19 §551. Eligibility for membership

20 **B. Beginning January 1, 2011, the provisions of this Subpart shall not**
21 **be applicable to judges or court officers to whom R.S. 11:553 would otherwise**
22 **apply but whose first employment making them eligible for membership in one**
23 **of the state systems occurred on or after such date. Such persons shall continue**
24 **to be members of the Louisiana State Employees' Retirement System but shall**
25 **be subject to the provisions of this Chapter otherwise applicable to system**
26 **members.**

27 * * *

28 §553. Eligible judges and court officers

29 This Subpart shall apply to ~~all present and future~~ judges and court officers
30 ~~hereinafter~~ enumerated **in this Section whose first employment making them**

1 eligible for membership in one of the state systems occurred on or before
2 December 31, 2010:

3 * * *

4 Section 2. R.S. 11:62(5)(h), 263(E), 267, and 268 are hereby repealed.

5 Section 3. In the event that the provisions of this Act conflict with the provisions of
6 the Act which originated as House Bill 1337 of the 2010 Regular Session of the legislature,
7 the provisions of this Act shall supercede and control, regardless of the order of final passage
8 or the effective date of either Act.

9 Section 4. If any provision or item of this Act, or the application thereof, is held
10 invalid, such invalidity shall not affect other provisions, items, or applications of the Act
11 which can be given effect without the invalid provision, item, or application and to this end
12 the provisions of this Act are hereby declared severable.

13 Section 5. This Act shall become effective on July 1, 2010; if vetoed by the governor
14 and subsequently approved by the legislature, this Act shall become effective on July 1,
15 2010, or on the day following such approval by the legislature, whichever is later.

PRESIDENT OF THE SENATE

SPEAKER OF THE HOUSE OF REPRESENTATIVES

GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: _____