SENATE BILL NO. 594

BY SENATORS B. GAUTREAUX, APPEL AND THOMPSON

1	AN ACT
2	To amend and reenact R.S. 11:62(5)(a), 263(C) and (D), 444(A)(1), and the introductory
3	paragraph of R.S. 11:553, to enact R.S. 11:263(G) and 551(B), and to repeal R.S.
4	11:62(5)(h), 263(E), 267, and 268, relative to public retirement systems; to provide
5	for employee contribution rates, computation of benefits, and eligibility; to provide
6	relative to the prudent-man rule, investment authority and restrictions, and asset
7	allocation; to require quarterly investment reports; to provide for an effective date;
8	and to provide for related matters.
9	Notice of intention to introduce this Act has been published.
10	Be it enacted by the Legislature of Louisiana:
11	Section 1. R.S. 11:62(5)(a), 263(C) and (D), 444(A)(1), and the introductory
12	paragraph of R.S. 11:553 are hereby amended and reenacted and R.S. 11:263(G) and 551(B)
13	are enacted to read as follows:
14	§62. Employee contribution rates established
15	Employee contributions to state and statewide public retirement systems shall
16	be paid at the following rates, except as otherwise provided by law:
17	* * *
18	(5) Louisiana State Employees' Retirement System:
19	(a) Judges, court officers, the governor, lieutenant governor and legislators
20	- 11.5%. <u>:</u>
21	(i) Employees whose first employment making them eligible for
22	membership in one of the state systems occurred on or before December 31,
23	<u>2010 - 11.5%.</u>
24	(ii) Employees, other than judges in Item (iii) of this Subparagraph,
25	whose first employment making them eligible for membership in one of the state
26	systems occurred on or after January 1, 2011 - 8%.

SB NO. 594	ENROLLED
------------	-----------------

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	<u>13%.</u>
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

following factors shall be given weight:

30

SB NO. 594 **ENROLLED**

1	(a) The availability of public pricing to value each investment.
2	(b) The ability to liquidate each investment at a fair market price within
3	a reasonable time frame for the size of investment that is being considered.
4	(c) The degree of transparency that accompanies each investment.
5	(d) The risk of fluctuations in currency that may accompany each
6	investment.
7	(e) The experience of the professionals who will manage each investment
8	and the financial soundness of the business entity employing such professionals.
9	(f) The degree of diversification which exists within each investment and
10	that such investment itself may provide relative to the other existing
11	investments in the system's portfolio.
12	(g) Whether leverage is involved.
13	(h) The potential for unrelated business taxable income as defined in
14	Section 512 of the Internal Revenue Code.
15	(i) The jurisdiction of the laws that govern each investment.
16	(j) The net return that is expected relative to the risk that is associated
17	with each investment.
18	* * *
19	G.(1) Each system, plan, or fund governed by this Subpart shall submit
20	to the House and Senate committees on retirement and to each other state and
21	statewide retirement system electronically transmitted quarterly reports
22	beginning with the quarter ending June 30, 2010, which shall be submitted no
23	later than thirty calendar days after the end of the quarter.
24	(2) Each report submitted pursuant to this Subsection shall contain, at
25	a minimum, the following:
26	(a) The investment return net of investment fees and expenses expressed
27	as a percentage return and dollar amount.
28	(b) The amount of administrative expenses.
29	(c) The board-approved target asset allocation.
30	(d) The current actual asset allocation of the system portfolio.

SB NO. 594	ENROLLED
------------	----------

1	(5) Investment returns reported pursuant to this Subsection shan 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 the Act which originated as House Bill 1337 of the 2010 Regular Session of the legislature, 6 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, 2010, or on the day following such approval by the legislature, whichever is later. 15 PRESIDENT OF THE SENATE SPEAKER OF THE HOUSE OF REPRESENTATIVES GOVERNOR OF THE STATE OF LOUISIANA

ENROLLED

SB NO. 594

APPROVED: _____