

SENATE COMMITTEE AMENDMENTS

Amendments proposed by Senate Committee on Retirement to Original Senate Bill No. 594 by Senator B. Gautreaux

1 AMENDMENT NO. 1

2 On page 1, line 2, delete "R.S. 11:263(D), to enact R.S. 11:267.1" and insert "R.S. 11:263(C)
3 and (D)"

4 AMENDMENT NO. 2

5 On page 1, delete lines 8 and 9 and insert the following:

6 "Section 1. R.S. 11:263(C) and (D) are hereby amended and reenacted to read as
7 follows:"

8 AMENDMENT NO. 3

9 On page 1, delete lines 12 through 17 and delete pages 2 and 3 in their entirety and on page
10 4, delete line 1 and insert in lieu thereof the following:

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

22 D.(1) Notwithstanding the prudent-man rule, no governing authority of any system
23 or fund governed by this Subpart shall invest more than fifty-five percent of the total
24 portfolio in equities, except as provided in Paragraph (2) of this Subsection, ~~or in R.S.~~
25 ~~11:267.~~

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

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

- 33 **(a) The availability of public pricing to value each investment.**
- 34 **(b) The ability to liquidate each investment at a fair market price within**
35 **a reasonable time frame for the size of investment that is being considered.**
- 36 **(c) The degree of transparency that accompanies each investment.**
- 37 **(d) The risk of fluctuations in currency that may accompany each**
38 **investment.**
- 39 **(e) The experience of the professionals who will manage each investment**
40 **and the financial soundness of the business entity employing such professionals.**
- 41 **(f) The degree of diversification which exists within each investment and**
42 **that such investment itself may provide relative to the other existing**
43 **investments in the system's portfolio.**
- 44 **(g) Whether leverage is involved.**
- 45 **(h) The potential for unrelated business taxable income as defined in**
46 **Section 512 of the Internal Revenue Code.**
- 47 **(i) The jurisdiction of the laws that govern each investment.**

