

CONFERENCE COMMITTEE REPORT
Senate Bill No. 594 By Senator B. Gautreaux

June 21, 2010

To the Honorable President and Members of the Senate and to the Honorable Speaker and Members of the House of Representatives.

Ladies and Gentlemen:

We, the conferees appointed to confer over the disagreement between the two houses concerning Senate Bill No. 594 by Senator B. Gautreaux, recommend the following concerning the Engrossed bill:

1. That the House Committee Amendments No. 2 and 4 proposed by the House Committee on Retirement and adopted by the House of Representatives on June 3, 2010, be adopted.
2. That the House Committee Amendments No. 1, 3, and 5 proposed by the House Committee on Retirement and adopted by the House of Representatives on June 3, 2010, be rejected.
3. That the following amendments to the engrossed bill be adopted:

AMENDMENT NO. 1

On page 1, delete line 2, and insert the following:

"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,"

AMENDMENT NO. 2

On page 1, line 3, after "systems;" insert "to provide for employee contribution rates, computation of benefits, and eligibility;"

AMENDMENT NO. 3

On page 1, delete line 8 and insert the following:

"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"

AMENDMENT NO. 4

On page 1, between lines 9 and 10 insert the following:

"§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%.

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

* * *

AMENDMENT NO. 5

On page 3, between lines 6 and 7, insert the following:

"G. (1) Each system, plan, or fund governed by this Subpart shall submit to the House and Senate committees on retirement and to each other state and statewide retirement system electronically transmitted quarterly reports beginning with the quarter ending June 30, 2010, which shall be submitted no later than thirty calendar days after the end of the quarter.

(2) Each report submitted pursuant to this Subsection shall contain, at a minimum, the following:

(a) The investment return net of investment fees and expenses expressed as a percentage return and dollar amount.

(b) The amount of administrative expenses.

(c) The board-approved target asset allocation.

(d) The current actual asset allocation of the system portfolio.

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

* * *

§444. Computation of retirement benefit

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

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

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

* * *

§551 Eligibility for membership

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

* * *

§553. Eligible judges and court officers

This Subpart shall apply to all ~~present and future~~ judges and court officers hereinafter enumerated **in this Section whose first employment making them eligible for membership in one of the state systems occurred on or before December 31, 2010:**

* * *

AMENDMENT NO. 6

On page 3, line 7, after "R.S. 11:" insert "62(5)(h),"

AMENDMENT NO. 7

On page 3, between lines 7 and 8 insert the following:

"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, the provisions of this Act shall supercede and control, regardless of the order of final passage or the effective date of either Act.

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

AMENDMENT NO. 8

On page 3, line 8, change "Section 3." to "Section 5."

Respectfully submitted,

Senators:

Representatives:

Senator D. A. "Butch" Gautreaux

Representative Joel C. Robideaux

Senator Elbert Guillory

Representative J. Kevin Pearson

Senator Ben Nevers

Representative Patrick Page Cortez

The legislative instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Lauren B. Bailey.

CONFERENCE COMMITTEE REPORT DIGEST

Senate Bill No. 594 by Senator B. Gautreaux

Keyword and summary of the bill as proposed by the Conference Committee

RETIREMENT SYSTEMS. Relative to public retirement systems, provides for employee contribution rates, definitions, computation of benefits and eligibility; provides relative to investments. (7/1/10)

Report adopts House amendments to:

Make technical amendments.

Report rejects House amendments which would have:

Required each system, plan, or fund to provide to the House and Senate Committees on retirement quarterly investment reports no later than 60 days after the end of the quarter containing investment returns net of investment fees and expenses and net of the system, plan, or fund's administrative expenses.

Report amends the bill to:

1. Require each system, plan, or fund to provide to the House and Senate Committees on retirement and to each other quarterly investment reports no later than 30 calendar days after the end of the quarter containing investment returns net of investment fees and expenses and net of the system, plan, or fund's administrative expenses and the asset allocation of the system portfolios.
2. Provide for contribution rates and computation of benefits for certain public retirement system members.

Digest of the bill as proposed by the Conference Committee

Present law (R.S. 11:267) requires certain La. public retirement or pension systems, plans, or funds to invest 10% of the equity portfolio, regardless of the amount of the system's allocation to such equities, in one or more index funds which seek to replicate the performance of the chosen index or indices. Allows the systems to invest up to 65% of the total portfolio in equities. Present law provides that, for purposes of present law, the term "equity" shall mean ownership of a corporation represented by shares that are publicly traded on a recognized exchange, including the National Association of Securities Dealers Automated Quotation (NASDAQ). Present law applies to:

- (1) Louisiana State Employees' Retirement System
- (2) Teachers' Retirement System of Louisiana
- (3) Louisiana School Employees' Retirement System
- (4) Assessors' Retirement Fund

Proposed law repeals present law.

Present law (R.S. 11:263(D)) authorizes certain La. public retirement or pension systems, plans, or funds to invest up to 55% of the individual system's total portfolio in equities. Specifies that these plans may invest more than 55% of the total portfolio in equities, so long as not more than 65% of the total portfolio is invested in equities and at least 10% of the total equity portfolio is invested in one or more index funds which seek to replicate the performance of the chosen index or indices. Present law applies to:

- (1) Clerks' of Court Retirement and Relief Fund
- (2) District Attorneys' Retirement System
- (3) Firefighters' Retirement System
- (4) Municipal Employees' Retirement System of Louisiana
- (5) Municipal Police Employees' Retirement System
- (6) Parochial Employees' Retirement System of Louisiana
- (7) Registrars of Voters Employees' Retirement System
- (8) Sheriffs' Pension and Relief Fund
- (9) State Police Pension and Retirement System
- (10) Harbor Police Retirement System

Proposed law provides for a single standard. Authorizes each of the 14 listed public retirement or pension systems, plans, or funds to invest up to 55% of the individual system's total portfolio in equities. Specifies that these plans may invest more than 55% of the total portfolio in equities, so long as not more than 65% of the total portfolio is invested in equities and at least 10% of the total equity portfolio is invested in one or more index funds which seek to replicate the performance of the chosen index or indices.

Present law (R.S. 11:263(B)) provides that the prudent-man rule shall require each fiduciary of a retirement or pension system, plan or fund and each board of trustees acting collectively on behalf of each system, plan, or fund to act with the care, skill, prudence, and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

Present law further provides that this standard requires the exercise of reasonable care, skill, and caution, and is to be applied to investments not in isolation, but in the context of the trust portfolio, and as part of an overall investment strategy, which shall include an asset allocation study and plan for implementation thereof, incorporating risk and return objectives reasonably suitable to that trust.

Proposed law (R.S. 11:263(D)) retains present law and adds to the prudent-man rule that the asset allocation study and implementation plan shall include an examination of market value risk, credit risk, interest rate risk, inflation risk, counterparty risk, and concentration risk. Further adds that the investment policy of each system shall preserve and enhance principal over the long term and provide adequate liquidity and cash flow for the payment of benefits.

Proposed law also provides that the investments shall be diversified to minimize the risk of significant losses unless it is clearly prudent not to do so. Includes a list of considerations to be taken into account before any investment decision is made. These considerations include: pricing, liquidity, transparency, legal jurisdiction, currency fluctuations, experience of professional managers, financial soundness of money management companies, diversification, leverage, and expected returns.

Proposed law requires each system, plan, or fund to provide to the House and Senate Committees on retirement and to each other quarterly investment reports no later than 20 days after the end of the quarter containing investment returns net of investment fees and expenses and net of the system, plan, or fund's administrative expenses and the asset allocation of the system portfolios.

Proposed law provides for contribution rates and computation of benefits relative to judges, court officers, the governor, lieutenant governor and legislators.

Proposed law repeals obsolete provisions of present law.

Effective July 1, 2010.

(Amends R.S. 11:62(5)(a), 263(C) and (D), 444(A)(1), and the introductory paragraph of R.S. 11:553; adds 11:263(G) and 551(B); repeals R.S. 11:62(5)(h), 263(E), 267, and 268)