Regular Session, 2010

# ACT No. 1004

**ENROLLED**

SENATE BILL NO. 594

BY SENATORS B. GAUTREAUX, APPEL AND THOMPSON

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%.**



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**(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%.**

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

* * *

C. 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. **The asset allocation study and implementation plan shall include the examination of market value risk, credit risk, interest rate risk, inflation risk, counterparty risk, and concentration risk. The investment policy of each system, plan, or fund shall preserve and enhance principal over the long term and provide adequate liquidity and cash flow for the payment of benefits. The investments shall be diversified to minimize the risk of significant losses unless it is clearly prudent not to do so.**

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

(2) The governing authority of any system ~~to which R.S. 11:267(A) is inapplicable~~ may invest more than fifty-five percent of the total portfolio in equities, so long as not more than sixty-five percent of the total portfolio is invested in equities and at least ten percent 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.

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



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**(a) The availability of public pricing to value each investment.**

**(b) The ability to liquidate each investment at a fair market price within a reasonable time frame for the size of investment that is being considered.**

**(c) The degree of transparency that accompanies each investment.**

**(d) The risk of fluctuations in currency that may accompany each investment.**

**(e) The experience of the professionals who will manage each investment and the financial soundness of the business entity employing such professionals.**

**(f) The degree of diversification which exists within each investment and that such investment itself may provide relative to the other existing investments in the system's portfolio.**

**(g) Whether leverage is involved.**

**(h) The potential for unrelated business taxable income as defined in Section 512 of the Internal Revenue Code.**

**(i) The jurisdiction of the laws that govern each investment.**

**(j) The net return that is expected relative to the risk that is associated with each investment.**

* * *

**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.**


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**(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.**

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§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**



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

* * *

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

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.

Section 5. This Act shall become effective on July 1, 2010; if vetoed by the governor 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.

_____
PRESIDENT OF THE SENATE

_____
SPEAKER OF THE HOUSE OF REPRESENTATIVES

_____
GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: _____


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