

Prior law (R.S. 11:267) required 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. Allowed the systems to invest up to 65% of the total portfolio in equities. Prior law provided that, for purposes of prior 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). Prior law applied to:

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

New law repeals prior law.

Prior law (R.S. 11:263(D)) authorized certain La. public retirement or pension systems, plans, or funds to invest up to 55% of the individual system's total portfolio in equities. Specified 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. Prior law applied 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

New 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.

Prior law (R.S. 11:263(B)) provided 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.

Prior law further provided 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.

New law (R.S. 11:263(D)) retains prior 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.

New 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.

New 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.

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

New law repeals obsolete provisions of prior law.

Effective July 1, 2010.

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