

Regular Session, 2014

HOUSE BILL NO. 80

BY REPRESENTATIVE MILLER

RETIREMENT/STATE-STWIDE: Provides relative to investments by the state, statewide, and Harbor Police retirement systems

1 AN ACT

2 To enact R.S. 11:267.1 and to repeal R.S. 11:263(D)(1) and (2), relative to investments of
3 certain public retirement systems, plans, and funds; to provide relative to restrictions
4 on investment of assets; to provide for definitions; to provide relative to asset
5 allocations for certain public retirement systems, plans, and funds; to provide for a
6 transition period; to provide relative to ethical guidelines for certain investments; and
7 to provide for related matters.

8 Notice of intention to introduce this Act has been published
9 as provided by Article X, Section 29(C) of the Constitution
10 of Louisiana.

11 Be it enacted by the Legislature of Louisiana:

12 Section 1. R.S. 11:267.1 is hereby enacted to read as follows:

13 §267.1. Investment authority and restrictions; asset allocation

14 A. In order to achieve an acceptable risk return asset allocation, the
15 provisions of this Section shall be applicable to every system, plan, and fund
16 governed by this Subpart.

17 B. For purposes of this Subpart, the term "equities" shall not include
18 alternative investments. As used in this Section, the term "alternative investments"
19 shall include any unregistered security including but not limited to private equity and
20 private debt securities.

1 C. At least fifteen percent of the portfolio of each system, plan, or fund shall
2 be invested in core fixed-income securities with an average quality rating of "A" or
3 better as rated by a nationally recognized rating agency.

4 D. No more than sixty-five percent of the total portfolio of a system, plan,
5 or fund shall be invested in publicly traded equities. At least ten percent of the total
6 equity portfolio of each system, plan, or fund shall be invested in one or more index
7 funds which seek to replicate the performance of the chosen index or indices.

8 E. No more than twenty percent of the portfolio of a system, plan, or fund
9 shall be invested in alternative investments, inclusive of committed capital.

10 F. Each investment shall have a mechanism for exit, and the board of trustees
11 shall be given notice of such mechanism prior to committing assets to any
12 investment.

13 G. No system, plan, or fund shall use financial leverage in the purchase of
14 direct real estate. There shall be no new direct ownership of real estate after June 30,
15 2014, unless acquired for use as an office building for a system, plan, or fund for the
16 convenient transaction of its own business, and any real estate adjacent to or
17 associated with such office building. Portions of any building not used for the
18 business of the system, plan, or fund may be rented by the system, plan, or fund to
19 others. The amount invested by a system, plan, or fund in office property shall not
20 exceed ten percent of the system assets.

21 H. Any system not in compliance with the limitations imposed by this
22 Section on July 1, 2014, shall make a good faith effort to come into compliance
23 within a transition period of two years and in any event as soon as practicable
24 thereafter. During this transition period, a system, plan, or fund shall not increase the
25 percentage of assets committed to be invested in alternative investments; however,
26 during such period, investments as required by the commitments of the system, fund,
27 or plan to alternative investments existing prior to July 1, 2014, are authorized.

1 I. Each board of trustees of a system, plan, or fund shall adopt a code of
2 ethics for the consideration of, investment in, and disposition of alternative
3 investments.

4 Section 2. R.S. 11:263(D)(1) and (2) are hereby repealed in their entirety.

5 Section 3. This Act shall become effective on July 1, 2014; if vetoed by the governor
6 and subsequently approved by the legislature, this Act shall become effective on July 1,
7 2014, or on the day following such approval by the legislature, whichever is later.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Miller

HB No. 80

Abstract: Provides limitations on the percentage of public retirement system, plan, or fund money that may be invested in certain types of assets.

Present law provides fiduciary standards for the following public retirement systems, plans, and funds:

- (1) La. State Employees' Retirement System
- (2) Teachers' Retirement System of La.
- (3) La. School Employees' Retirement System
- (4) State Police Pension and Retirement System
- (5) Assessors' Retirement Fund
- (6) Clerks' of Court Retirement and Relief Fund
- (7) District Attorneys' Retirement System
- (8) Firefighters' Retirement System
- (9) Municipal Employees' Retirement System of La.
- (10) Municipal Police Employees' Retirement System
- (11) Parochial Employees' Retirement System of La.
- (12) Registrars of Voters Employees' Retirement System
- (13) Sheriffs' Pension and Relief Fund
- (14) Harbor Police Retirement System

Proposed law retains present law.

Proposed law provides specific investment authority and restrictions relative to the asset allocation of the state and statewide retirement systems, plans, and funds and the Harbor Police Retirement System.

Proposed law provides that the term "equities" shall not include alternative investments. Defines "alternative investments" as any unregistered security, including but not limited to private equity and private debt securities.

Proposed law provides that no more than 20% of the portfolio shall be invested in "alternative investments", inclusive of committed capital.

Present law (R.S. 11:263(D)) provides that each of the systems, plans, or funds may invest up to 65% of its portfolio in equities. Requires 10% of the total equity portfolio of each system, plan, or fund to be invested in one or more index funds which seek to replicate the performance of the chosen index or indices. Proposed law retains authorized present law allocations to equities, but requires the equities to be publicly traded.

Proposed law requires that at least 15% of the portfolio shall be invested in core fixed-income securities with an average quality rating of "A" or better as rated by a nationally recognized rating agency.

Proposed law provides that all investments shall have a mechanism for exit and the respective boards of trustees shall be given notice of such mechanism prior to committing assets to any investment.

Proposed law prohibits the use of financial leverage in the purchase of direct real estate. Proposed law further prohibits any new direct ownership of real estate unless acquired for use as a system's, plan's, or fund's office for the convenient transaction of its own business; provided that portions of such buildings not used for its own business may be rented by the system, plan, or fund to others; provided, further, that the amount invested by a system, plan, or fund in office property shall not exceed 10% of assets.

Proposed law provides that any system, plan, or fund which is not in compliance with the limitations imposed shall make a good faith effort to come into compliance within a transition period of two years and in any event as soon as practicable. Proposed law provides that during the transition period the system, plan, or fund shall not increase the percentage of assets committed to be invested in alternative investments but shall be permitted to continue to make investments as required by the existing commitments of the system, fund, or plan to alternative investments made before the enactment of proposed law.

Proposed law requires the respective boards of trustees of the systems, plans, and funds to adopt a code of ethics for the consideration of, investment in, and disposition of alternative investments.

Effective July 1, 2014.

(Adds R.S. 11:267.1; Repeals R.S. 11:263(D)(1) and (2))