
DIGEST

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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))