

2018 Regular Session

HOUSE BILL NO. 34

BY REPRESENTATIVE PEARSON

RETIREMENT/STATE-STWIDE: Provides relative to the use of terror-free index funds by the state and statewide retirement systems

1 AN ACT

2 To amend and reenact R.S. 11:316, relative to investments by the state and statewide
3 retirement systems; to provide for investment in terror-free funds or accounts; and
4 to provide for related matters.

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

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. R.S. 11:316 is hereby amended and reenacted to read as follows:

10 §316. Terror-free ~~index~~ fund

11 A. As used in this Section, the following terms shall have the following
12 meaning unless a different meaning is clearly required by the context:

13 (1) "Screened equities" means stocks or other ownership interest in a
14 company identified as having facilities or employees ~~or both~~ located in a prohibited
15 nation, which equities are excluded from the terror-free ~~index~~ fund.

16 (2) "Terror-free equities" means equities in companies not identified as
17 having facilities or employees ~~or both~~ located in a prohibited nation.

18 (3) "Terror-free ~~index~~ fund" means an international ~~index~~ fund or separately
19 managed account which identifies equities in companies having facilities or
20 employees ~~or both~~ located in a prohibited nation and excludes them from the fund.

1 B. Each system or fund to which this Subpart applies that has an investment
2 strategy which includes allocation to international markets shall, within sixty days
3 after August 15, 2007, communicate with investment managers with international
4 investment experience for the establishment of an international terror-free ~~index~~ fund
5 ~~which identifies and excludes from the fund companies having facilities or~~
6 ~~employees or both in a prohibited nation.~~ The communication shall stipulate that,
7 as part of managing such fund, the manager ~~will~~ shall replace the screened equities
8 with comparable terror-free equities, sell the screened equities, or ~~will~~ adjust the
9 weighting of remaining equities held in a system's portfolio. Each system having an
10 investment strategy which includes allocation to international markets shall, within
11 one hundred eighty days after August 15, 2007, allocate a portion of its international
12 investments to such terror-free ~~index~~ fund.

13 C. If a system having an investment strategy which includes allocation to
14 international markets does not possess sufficient assets to meet the minimum
15 investment required by the manager to create a terror-free ~~index~~ fund on the system's
16 behalf alone, such system shall join an existing terror-free ~~index~~ fund established
17 pursuant to this Section; or shall join with another system to meet such minimum
18 investment requirements for the purpose of establishing a terror-free ~~index~~ fund
19 common to those systems.

20 D. Each system shall adopt rules necessary to implement the provisions of
21 this Section.

22 E. Each system shall report compliance with this Section to the House of
23 Representatives and Senate committees on retirement as part of the report submitted
24 pursuant to R.S. 11:312(C).

25 F. Nothing in this Section shall require a system to invest in international
26 markets ~~or to utilize collective funds or index funds for such purpose~~ unless
27 otherwise part of the investment strategy adopted by the system. If a system invests
28 in international markets and utilizes collective funds or index funds for such purpose,
29 this Section shall apply.

1 Section 2. This Act shall become effective upon signature by the governor or, if not
2 signed by the governor, upon expiration of the time for bills to become law without signature
3 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
4 vetoed by the governor and subsequently approved by the legislature, this Act shall become
5 effective on the day following such approval.

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)]

HB 34 Engrossed

2018 Regular Session

Pearson

Abstract: Requires a state or statewide retirement system with investments in international markets to allocate a portion of their investments to a terror-free fund, rather than a terror-free index fund. Allows a system to sell screened securities.

Present law requires each state or statewide retirement system with an investment strategy including allocation to international markets to establish an international index fund that identifies and excludes from the fund companies having facilities or employees in a prohibited nation (terror-free index fund). As part of managing such fund, an investment manager shall replace any equity with facilities or employees in a prohibited nation (screened equities) with comparable equities or adjust the weighting of remaining equities held in a system's portfolio. Each such system shall allocate a portion of its international investments to such terror-free index fund.

Proposed law requires that such systems invest in an international fund or separately managed account which identifies and excludes equities in companies having facilities or employees located in a prohibited nation; removes requirement for the use of an index fund. Further gives the investment manager the option to either replace screened equities with comparable *terror-free* equities or adjust the weighting of remaining equities held in a system's portfolio and provides the additional option to sell the screened equities.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 11:316)