

2016 Regular Session

HOUSE BILL NO. 917

BY REPRESENTATIVE IVEY

RETIREMENT/STATE SYSTEMS: Establishes a single investment committee as a component part of each state retirement system to make all investment decisions and allocations for each such system

1 AN ACT

2 To amend and reenact R.S. 11:181(C), 184, 185(C) and (D)(3), 261, 262, 263(A), (B),
3 (D)(1) and (2), (F), and (G)(1), 264(introductory paragraph), 264.3, 265, 266(C),
4 313, 513(C), 515, 517, 702(C), 821, 825, 851(A), 857, 1001(C), 1161, 1164,
5 1181(A), 1302(C), and 1327 and to enact Subpart M of Chapter 4 of Subtitle I of
6 Title 11 of the Louisiana Revised Statutes of 1950, comprised of R.S. 11:301 through
7 303, and 513(G), relative to boards of trustees of state retirement systems; to provide
8 relative to the powers and duties of such boards; to establish a consolidated
9 committee as a component part of each such board to handle matters relative to
10 system investments; to provide relative to the composition, powers, and duties of the
11 consolidated committee; to provide relative to the meetings, expenses, and staffing
12 of the consolidated committee; to provide relative to terms of office of committee
13 members; and to provide for related matters.

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

17 Be it enacted by the Legislature of Louisiana:

18 Section 1. R.S. 11:181(C), 184, 185(C) and (D)(3), 261, 262, 263(A), (B), (D)(1)
19 and (2), (F), and (G)(1), 264(introductory paragraph), 264.3, 265, 266(C), 313, 513(C), 515,
20 517, 702(C), 821, 825, 851(A), 857, 1001(C), 1161, 1164, 1181(A), 1302(C), and 1327 are

hereby amended and reenacted and Subpart M of Chapter 4 of Subtitle I of Title 11 of the Louisiana Revised Statutes of 1950, comprised of R.S. 11:301 through 303, and 513(G) are hereby enacted to read as follows:

§181. Composition of governing boards of state and statewide systems; per diem and expenses

* * *

C. A majority of the members shall constitute the quorum necessary for meetings of these governing boards unless a greater number is specified by statute. The provisions of this Subsection do not apply to actions taken on behalf of a state system by the Consolidated State Investment Committee, nor shall the membership of the Consolidated State Investment Committee be considered as members of the governing board of a state system for any purpose unrelated to the authority set forth in R.S. 11:302.

* * *

§184. Meetings of state and statewide retirement boards and committees

By December first of each calendar year, the Consolidated State Investment Committee and the board of trustees of each state and statewide retirement system shall submit to the House and Senate committees on retirement a proposed schedule of all board and committee meetings for the following calendar year. The proposed schedule shall be subject to review by the committees, and the chairman of either committee may request changes in the proposed schedule of any system in order to avoid conflicting meetings or for any other purpose.

§185. Educational requirements for members of retirement system boards of trustees

* * *

C. The provisions of this Section shall apply to the ~~following local retirement system: Harbor Police Retirement System~~ Consolidated State Investment Committee established by R.S. 11:301.

D.

* * *

(3)(a) ~~Each~~ Except as provided in Subparagraph (b) of this Paragraph, each year, any member to whom this Section applies shall attend at least eight hours of investment training, four hours of actuarial science information education, two hours of education regarding the laws, rules, and regulations applicable to his system, and two hours of instruction on fiduciary duty and ethics. These training hours may be conducted by the staff of the respective retirement systems or by outside experts. Two or more systems may combine any such training. Any member who is elected or appointed to the board for the first time on or after June first shall be required to comply only with the provisions of Paragraph (4) of this Subsection during that year.

(b) Members of state systems listed in Subsection A of this Section who are not members of the Consolidated State Investment Committee are exempt from the investment education requirements of this Paragraph.

* * *

§261. Purpose

The legislature recognizes that the fiscal integrity of various governments of and within this state and the financial security of employees and citizens of these various governments require that the public retirement or pension systems, funds, and plans maintained primarily for officers and employees of the governments be maintained on a sound actuarial basis. It is further recognized that the fiduciary responsibilities and the investment practices of these systems, funds, and plans are an integral part of such maintenance. It is also recognized that the legislative branch of state government bears a responsibility with respect to this maintenance. Accordingly, the purpose of this Subpart is to provide for the governing of fiduciary responsibilities and investments by the Consolidated State Investment Committee and by public retirement or pension systems, funds, and plans.

§262. Applicability; definitions

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

(1) "Consolidated investment committee" means the Consolidated State Investment Committee established by R.S. 11:301.

(2) "State system" has the same meaning as in R.S. 11:4.

(3) "Statewide system" has the same meaning as in R.S. 11:4.

B. The provisions of this Subpart are applicable to the ~~following public retirement or pension systems, funds, and plans:~~ consolidated investment committee and all state and statewide systems.

~~(1) Assessors' Retirement Fund.~~

~~(2) Clerks of Court Retirement and Relief Fund.~~

~~(3) District Attorneys' Retirement System.~~

~~(4) Firefighters' Retirement System.~~

~~(5) Louisiana School Employees' Retirement System.~~

~~(6) Louisiana State Employees' Retirement System.~~

~~(7) Municipal Employees' Retirement System of Louisiana.~~

~~(8) Municipal Police Employees' Retirement System.~~

~~(9) Parochial Employees' Retirement System of Louisiana.~~

~~(10) Registrars of Voters Employees' Retirement System.~~

~~(11) Sheriffs' Pension and Relief Fund.~~

~~(12) Louisiana State Police Retirement System.~~

~~(13) Teachers' Retirement System of Louisiana.~~

~~(14) Harbor Police Retirement System.~~

§263. Prudent-man rule; investments; reporting

A. The prudent-man rule shall be applied by the consolidated investment committee and the statewide systems, funds, and plans governed by this Subpart.

B. The prudent-man rule shall require the following parties, acting individually or collectively, ~~each fiduciary of a retirement system and each board of trustees acting collectively~~ on behalf of each system to act with the care, skill, prudence, and diligence under the circumstances prevailing that a prudent

1 institutional investor acting in a like capacity and familiar with such matters would
2 use in the conduct of an enterprise of a like character and with like aims;

3 (1) Each fiduciary of a system or of the consolidated investment committee.

4 (2) Each board of trustees of a statewide retirement system.

5 (3) The consolidated investment committee.

6 * * *

7 D.(1) Notwithstanding the prudent-man rule, ~~no~~ neither the consolidated
8 investment committee nor the governing authority of any statewide system ~~or fund~~
9 governed by this Subpart shall invest more than fifty-five percent of the total
10 portfolio in equities, except as provided in Paragraph (2) of this Subsection.

11 (2) The consolidated investment committee or the governing authority of any
12 statewide system may invest more than fifty-five percent of the total portfolio in
13 equities, so long as not more than sixty-five percent of the total portfolio is invested
14 in equities and at least ten percent of the total equity portfolio is invested in one or
15 more index funds which seek to replicate the performance of the chosen index or
16 indices.

17 * * *

18 F. Notwithstanding the prudent-man rule, the consolidated investment
19 committee or a statewide system board of trustees may but is not required to divest
20 itself of any holding in a company having facilities or employees or both located in
21 a prohibited nation as that term is defined in R.S. 11:312(B)(2).

22 G.(1) Each ~~system, plan, or fund governed by this Subpart~~ state and
23 statewide system shall electronically submit to the House and Senate committees on
24 retirement and to each other state and statewide retirement system and the
25 consolidated investment committee ~~electronically transmitted~~ quarterly reports
26 ~~beginning with the quarter ending June 30, 2010~~, which shall be submitted no later
27 than thirty calendar days after the end of the quarter.

28 * * *

1 §264. Fiduciary relationships

2 With respect to the consolidated investment committee and the state and
3 statewide systems, plans, and funds governed by this Subpart, each of the following
4 persons shall be deemed to be in a fiduciary relationship with the respective funds:

5 * * *

6 §264.3. Basic fiduciary duty

7 The basic duty of a fiduciary is to discharge his duties with respect to the
8 system or systems he represents in the exclusive interest of the members and
9 beneficiaries of such.

10 * * *

11 §265. Compensation of investment advisors

12 The consolidated investment committee and each ~~Each~~ board of trustees of
13 the ~~various public retirement~~ statewide systems, plans, or funds is hereby authorized,
14 in requesting proposals for investment advisory services, to require that fees shall be
15 quoted as a fixed fee, a fee based on market value of assets, or a performance fee.

16 §266. Investment performance standards

17 * * *

18 C.(1) Investment performance composite data submitted in response to a
19 request for proposal or any other solicitation or selection process used by the
20 consolidated investment committee or any system, fund, or plan covered by this
21 Section for hiring an investment manager or investment advisor shall be in
22 compliance with the current Performance Presentation Standards as amended and
23 published by the Association for Investment Management and Research or any
24 successor entity.

25 (2) ~~Each~~ The consolidated investment committee and each ~~such~~ system,
26 plan, or fund covered by the provisions of this Section shall require, at least annually,
27 the investment managers or investment advisors employed or otherwise retained by
28 ~~such~~ the system, plan, or fund to submit investment performance composite data,
29 which contains ~~such~~ the systems, plans, or funds portfolio that is subject to a Level

1 I verification as defined in the Performance Presentation Standards as amended and
2 published by the Association for Investment Management and Research or any
3 successor entity.

4 * * *

5 SUBPART M. CONSOLIDATED STATE INVESTMENT COMMITTEE

6 §301. Establishment

7 The Consolidated State Investment Committee, referred to in this Subpart as
8 the committee, is hereby established as a component part of the board of trustees of
9 each state retirement system. The committee shall transact all business in the name
10 of the system to whom the assets belong. Members of the committee shall be subject
11 to the same financial disclosure requirements as all other members of the boards of
12 trustees. Members of the committee are not required to be present for the purposes
13 of establishing quorum or transacting business of the system board of trustees for any
14 matter not relative to investments.

15 §302. Powers and duties; expenses

16 A. The committee has the following exclusive authority:

17 (1) To invest system assets, including but not limited to, the purchase, sale,
18 assignment, or transfer of investments.

19 (2) The design, adoption, and execution of asset allocations.

20 (3) Adopting the system's actuarial assumed rate of return and discount rate.

21 B.(1) The committee shall meet at least once each month in a regular board
22 meeting to conduct its business, and the chairman may call special board meetings
23 as necessary.

24 (2) The systems on whose behalf the committee invests assets shall supply
25 staff and meeting space for the committee.

26 (3) Expenses of the committee shall be split equally among the four state
27 systems.

28 (4) The committee and its members are subject to the state Open Meetings
29 Law, Public Records Law, and the Code of Governmental Ethics.

1 C. Notwithstanding any provision of law to the contrary, actions taken by the
2 committee are not subject to ratification or approval by a system's board of trustees,
3 nor shall a board adopt any rule or regulation constraining the exercise of the powers
4 granted by this Subpart to the committee.

5 §303. Committee composition

6 A. The committee shall be composed of voting members as follows:

7 (1) One representative from each of the state retirement system boards, each
8 of whom shall be a current trustee, appointed by the respective boards.

9 (2) One member appointed by the president of the Senate.

10 (3) One member appointed by the speaker of the House of Representatives.

11 (4) Three members appointed by the governor.

12 (5) Two members appointed by the state treasurer.

13 B. Each member of the committee, with the exception of members appointed
14 pursuant to Paragraph (A)(1) of this Section, shall have a bachelor's degree in
15 finance or accounting or at least five years of work experience in the investment
16 industry.

17 C.(1) Each member shall serve a four-year term.

18 (2) A vacancy shall be filled in the manner of the original appointment for
19 the remainder of the unexpired term.

20 (3) No member may serve more than two consecutive full terms.

21 D. The members shall elect biennially from their membership, a chairman,
22 a vice chairman, and such other officers as the committee may deem advisable. No
23 member may serve as chairman for more than four consecutive years.

24 E. A majority of the committee shall constitute a quorum.

25 F. Members shall receive a per diem for attendance at committee and board
26 meetings in accordance with R.S. 11:181 except that legislative members shall
27 receive a per diem in accordance with R.S. 42:3.1.

28 * * *

§313. Prudent-man rule; investments

Notwithstanding the prudent-man rule, the Consolidated State Investment Committee or a system board of trustees may but is not required to divest itself of any holding in a company having facilities or employees, or both, located in a prohibited nation as that term is defined in R.S. 11:312(B)(2).

§513. Officers; meetings; quorum; minutes; reports; compensation

* * *

C. A majority of the members of the board shall constitute a quorum for the transaction of business, and four votes shall be necessary for a decision. The provisions of this Subsection do not apply to actions taken on behalf of the system by the Consolidated State Investment Committee, nor shall the membership of the Consolidated State Investment Committee be considered as members of the board for any purpose unrelated to the authority set forth in R.S. 11:302.

* * *

G. The provisions of Subsections A, B, D, and E of this Section shall not apply to the Consolidated State Investment Committee.

* * *

§515. Powers and duties

A. The board of trustees shall have the following powers and duties:

(1) To appoint the director, assistant directors, and chief investment officer, to fix their salaries, and to designate the powers and duties of these officials.

(2) To make, alter, amend and promulgate rules and otherwise provide for the establishment and maintenance of the system, which by terms of the law are under the jurisdiction of the board as authorized by the retirement law.

(3) To prepare and submit to the Joint Legislative Committee on the Budget and the state budget officer with recommendations, a budget covering the estimated costs of administering the system for each succeeding fiscal year. This annual budget shall be subject to approval by the Joint Legislative Committee on the Budget.

1 (4) To hear appeals from members who claim their rights under the laws
2 and/or the rules of the system have been violated, and to issue appropriate orders in
3 such cases.

4 (5) To appoint an actuary and adopt mortality and service tables.

5 (6) To designate a medical board composed of five physicians who are not
6 members of the system to serve on the State Medical Disability Board, or as alternate
7 physicians to the medical board, pursuant to R.S. 11:219.

8 (7) To designate a depository for operating monies, which shall be fully
9 guaranteed.

10 (8) To designate a custodian of bonds and securities.

11 (9) To make rules and regulations governing election of board members, not
12 inconsistent with law.

13 (10) To underwrite life insurance for employees of the state, with approval
14 of the commissioner of administration, at any time that current coverage to members
15 or retirees is either reduced or deleted, or cost of coverage is substantially increased.

16 B. Authority relative to investment of system assets shall be exercised by the
17 Consolidated State Investment Committee pursuant to R.S. 11:302.

18 * * *

19 §517. Investments

20 The ~~board~~ Consolidated State Investment Committee may invest available
21 funds and may hold, purchase, sell, assign, transfer, and dispose of any of the
22 securities of the system, in the name of the system or a nominee name, provided the
23 action is taken in compliance with the rules and regulations established by the board
24 and in accordance with the provisions of R.S. 11:263.

25 * * *

26 §702. Name and establishment of retirement system

27 * * *

28 C. The board of trustees may form a corporation or partnership for the
29 purpose of trading in its nominee name. The Consolidated State Investment

1 Committee, the state treasurer, the secretary-treasurer, and the assistant
2 secretary-treasurer of the system shall be members of any such corporation or
3 partnership. Other members of the corporation or partnership may be appointed by
4 the board of trustees from among its membership. Each member of such corporation
5 or partnership shall have the same fiduciary responsibility as do the trustees of the
6 system.

7 * * *

8 §821. Board of trustees; administrative powers in general

9 The Except as provided by R.S. 11:302, the general administration and
10 responsibility for the proper operation of the retirement system and for making
11 effective the provisions of this Chapter are vested in a board of trustees which shall
12 be organized immediately after a majority of the trustees provided for in this Part
13 shall have qualified and taken the oath of office.

14 * * *

15 §825. Voting powers of trustees; quorum

Each trustee shall be entitled to one vote in the board. A majority of the members of the board shall constitute a quorum. The provisions of this Section do not apply to actions taken on behalf of the system by the Consolidated State Investment Committee, nor shall the membership of the Consolidated State Investment Committee be considered as members of the board for any purpose unrelated to the authority set forth in R.S. 11:302.

22 * * *

23 §851. Investment of funds; limitations and restrictions; interest

A. The board of trustees shall be the trustees of the several funds created by R.S. 11:871. The Consolidated State Investment Committee ~~and~~ shall have full power to invest and reinvest available funds and to hold, purchase, sell, assign, transfer, and dispose of any of the securities and investments of the system in the name of the system or its nominee name provided the action is taken in compliance

1 with the rules and regulations established by the board of trustees in accordance with
2 the provisions of R.S. 11:263.

3 * * *

4 §857. Compensation of investment advisors

5 The ~~board of trustees of the Teachers' Retirement System of Louisiana~~
6 Consolidated State Investment Committee is hereby authorized, in requesting
7 proposals for investment advisory services for the system, to require that fees shall
8 be quoted as a fixed fee, a fee based on market value of assets, or a performance fee.

9 * * *

10 §1001. Name and establishment of retirement system; domicile; nominee name;
11 partnership

12 * * *

13 C. The board of trustees may form a partnership for the purpose of trading
14 in its nominee name. The Consolidated State Investment Committee, the state
15 treasurer, the secretary-treasurer of the system and the assistant secretary-treasurer
16 of the system shall be members of any such partnership. Other members of the
17 partnership may be appointed by the board of trustees from among its membership.
18 Each member of such partnership shall have the same fiduciary responsibility as do
19 the trustees of the system.

20 * * *

21 §1161. Board of trustees; administrative powers in general

22 ~~The~~ Except with respect to fund assets pursuant to R.S. 11:302, the general
23 administration and responsibility for the proper operation of the retirement system
24 and for making effective the provisions of this Chapter are vested in a board of
25 trustees which shall be organized immediately after a majority of the trustees
26 provided for in R.S. 11:1162 shall have qualified and taken the oath of office.

27 * * *

§1164. Voting power of trustees; votes necessary for action of board

Each trustee shall be entitled to one vote in the board. Six votes shall be necessary for a decision by the trustees at any meeting of the board. The provisions of this Section do not apply to actions taken on behalf of the system by the Consolidated State Investment Committee, nor shall the membership of the Consolidated State Investment Committee be considered as members of the board for any purpose unrelated to the authority set forth in R.S. 11:302.

* * *

§1181. Investment of funds by board of trustees; limitations and restrictions; interest

A. The board of trustees shall be the trustees of the several funds of the system. The Consolidated State Investment Committee ~~and~~ shall have full power to invest and reinvest available funds and to hold, purchase, sell, assign, transfer, and dispose of any of the securities and investments of the system and proceeds thereof provided that the action is taken in compliance with rules and regulations established by the board of trustees and in accordance with the provisions of R.S. 11:263. The board of trustees may adopt rules to further restrict investments of funds.

* * *

§1302. Creation and composition of board; powers; expenses of administration

* * *

C. ~~The~~ Except as provided in R.S. 11:302, the board has full and complete authority to manage and administer the fund; to authorize the retirement of any police employee who may be eligible to retire; to determine monthly pensions and retirement salaries to be paid under the provisions of this Chapter; and to incur whatever expenses may be necessary to properly administer the system and the fund. Any expenses incurred by the board shall be borne by the fund.

* * *

§1327. Investment of funds

The ~~board~~ Consolidated State Investment Committee may invest, in accordance with the provisions of R.S. 11:263, any portion of the State Police

1 Retirement Fund in the judgment of the board committee, not required to pay current
2 pensions and retirement salaries payable under the provisions of this Subpart.

3 Section 2. Notwithstanding the provisions of R.S. 11:303 as enacted by this Act, the
4 initial terms of office of the members of the Consolidated State Investment Committee shall
5 be established by drawing lots at the first board meeting for the following terms: four
6 members shall serve an initial term of six years; four members shall serve an initial term of
7 five years; and three members shall serve an initial term of four years. All subsequent terms
8 and vacancies shall be as provided in R.S. 11:303 as enacted by this Act.

9 Section 3. This Act shall become effective on July 1, 2016; if vetoed by the governor
10 and subsequently approved by the legislature, this Act shall become effective on July 1,
11 2016, 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)]

HB 917 Original

2016 Regular Session

Ivey

Abstract: Removes authority to invest system assets, establish asset allocations, and set actuarial assumed rates of return from state retirement system boards of trustees and establishes a consolidated state investment committee as a component part of each existing board to perform such functions on behalf of each such system.

Present law establishes the four state retirement systems—the La. State Employees' Retirement System (LASERS), the Teachers' Retirement System of La. (TRSL), the La. School Employees' Retirement System (LSERS), and the State Police Retirement System (STPOL) and provides for the administration of each such system by a board of trustees.

Present law generally authorizes each board of trustees to invest system assets, establish asset allocations, and adopt the system's actuarial assumed rate of return. Proposed law removes this authority from each board and establishes a new "Consolidated State Investment Committee" (hereafter "committee") to perform such functions on behalf of each system. Further provides that, although operating independently of each present law board of trustees, the committee is a component part of each such existing board.

Proposed law provides that the committee shall be composed of 11 voting members as follows:

- (1) One representative from each of the state retirement system boards of trustees.
- (2) One member appointed by the president of the Senate.
- (3) One member appointed by the speaker of the House of Representatives.
- (4) Three members appointed by the governor.
- (5) Two members appointed by the state treasurer.

Further requires each committee member who is *not* a representative of a state retirement system to have a bachelor's degree in finance or accounting or at least five years of work experience in the investment industry.

Provides that members serve staggered four-year terms.

Provides for quorum and election of officers of the committee. Further authorizes per diem allowances for committee members and requires the systems for which the committee invests assets to supply staff and meeting space for the committee. Requires the expenses of the committee to be split equally among the systems for which it invests assets.

Proposed law further provides that the committee is subject to present law requirements relative to fiduciary duty, the prudent-man rule, Open Meetings Law, Public Records Law, and the Code of Governmental Ethics.

Further provides that actions taken by the committee are not subject to ratification or approval by the full system board of trustees. Prohibits the regular board from promulgating rules limiting the committee's ability to exercise its powers.

Present law provides for annual required trustee education for each trustee of a state or statewide retirement system. Requires members of state and statewide boards to obtain 16 hours of trustee education each year, in the following increments:

- (1) Eight hours of investment education.
- (2) Four hours of actuarial science education.
- (3) Two hours of education on the laws, rules, and regulations applicable to his system.
- (4) Two hours of training on fiduciary duty and ethics.

Proposed law adds the committee members to the list of trustees required to obtain such annual education. Further removes state system trustees who are not on the committee from the requirement to obtain investment education.

Effective July 1, 2016.

(Amends R.S. 11:181(C), 184, 185(C) and (D)(3), 261, 262, 263(A), (B), (D)(1) and (2), (F), and (G)(1), 264(intro. para.), 264.3, 265, 266(C), 313, 513(C), 515, 517, 702(C), 821, 825, 851(A), 857, 1001(C), 1161, 1164, 1181(A), 1302(C), and 1327; Adds R.S. 11:301-303 and 513(G))