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Louisiana Deferred Compensation Commission Meeting

April 19, 2016

The Monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, April 19, 2016 in the offices of the Plan Administrator, 9100 Bluebonnet Centre Blvd, Suite 203, Baton Rouge, Louisiana 70809.

Members Present

Emery Bares, Chairman, Designee of the Commissioner of Insurance
Virginia Burton, Secretary, Participant Member
Andrea Hubbard, Designee of the Commissioner of Administration
Whit Kling, Vice-Chairman, Participant Member
Len Riviere, Designee of Commissioner of Financial Institutions
Laney Sanders, Participant Member

Members Not in Attendance

Lela Folse, Designee of the State Treasurer

Others Present

Emily Andrews, State of Louisiana Attorney General's Office
Amy Heyel, Vice President, Southern Region-Government Markets, Denver, Empower Retirement
Doug Peterson, Vice President, Chief Information Security Officer, Denver, Empower Retirement, Denver-*via conference call*
Connie Stevens, State Director, Baton Rouge, Empower Retirement
Chuck Marceaux, RPC, Baton Rouge, Empower Retirement
Jo Ann Carrigan, Lead Office Coordinator, Baton Rouge, Empower Retirement

Call to Order

Chairman Bares called the meeting to order at 10:00 a.m.

Approval of Commission Meeting Minutes of March 15, 2016

The minutes of March 15, 2016 were reviewed. Mr. Kling motioned for acceptance of the minutes. Ms. Hubbard seconded the motion. The Commission unanimously approved the minutes.

Acceptance of Hardship Committee Reports of April 1, 2016

Mr. Kling motioned for acceptance of the Hardship Committee Report of April 1, 2016. Ms. Burton seconded the motion. The Commission unanimously approved the report.

Public Comments: There was no one from the public in attendance.

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Administrator's Report

Plan Update as of March 31, 2016 was presented by Ms. Stevens. Assets as of March 31, 2016: \$1,469.27 Billion. Asset change YTD: \$10.37 Million; Contributions YTD: \$24.10 Million. Distributions YTD: \$23.23 Million. Net Investment Difference: \$9.50 Million. YTD Contributions are exceeding distributions by \$870,000.

Unallocated Plan Asset Account Report – March, 2016: Ms. Stevens reviewed the UPA for March, 2016. Cash balance on hand as of February 29, 2016: \$2,601,208.19. Additions included interest for the month of March and gains on contribution corrections. Distributions included the Wells Fargo annual trustee custodian fee. The cash balance on hand as of March 31, 2016: \$2,603,779.56.

Annual Review of Plan Bank Charges: JP Morgan Chase and USBank fees for the period of March 2015-February 2016 were reviewed. Ms. Stevens will contact the Office of State Treasurer for details related to how to handle unclaimed property (un-cashed distribution checks) within the State of LA.

2016 Strategic Partnership Plan

Ms. Heyel stated that the Empower Retirement goal is to allow persons to retire with dignity and to help people replace – for life—the income they made while working. Ms. Heyel presented Empower Retirement statistics related to the merger of 2015 and the number of governmental plans and employers currently being serviced. The merger had no impact on governmental markets. Ms. Stevens presented a chart of the LADCP service team (not including RPC's) noting that there is 62 years of experience and expertise amongst the seven team members. The strategic process plan consists of "Retirement Readiness - Pillars of Retirement." The pillars are identified as participation, savings rate, diversification and retirement income preservation. Ms. Stevens compared Louisiana Deferred Compensation Plan data to mega-plans in the industry and other plans within the Empower Retirement book of business.

Web Security

Doug Peterson, is the Vice President of Information Systems and is the Chief Information Security Officer of Empower Retirement. Mr. Peterson's responsibility is to protect participant data. Mr. Peterson's team consists of twenty information security professionals with an average of 14 years of experience within the industry. The program as a whole is based on the most commonly accepted framework for information security. It is a zoned architecture consisting of six different zones with each zone separated by firewalls. There is no one person or technology that the security is dependent upon. An information security board provides oversight.

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Mr. Peterson's team is divided into three segments: Governance, Risk and Compliance; Threat and Vulnerability Management; and Architecture and Engineering. There is also an advisory committee consisting of Legal Compliance, Human Resources and Business Lines. A third party penetration company ("ethical hackers") visits the site annually to test system vulnerability. Verizon comes in four times a year administering cumulative tests and awards certification if all tests are passed. A third party known as a, "Dark Web Monitor" is paid to "troll" the web searching for information regarding the company, systems and data. There is an "Incident Response" system in place that is used for all critical incidents.

2016 Strategic Partnership Plan (continued)

Benchmarks are made to the Plan, annual goals are set, campaigns are developed and then the goals are measured.

The 2016 goals for the Louisiana Deferred Compensation Plan and corresponding tools to be used are:

1. Increase participation to 26%: Active Choice; Restart Campaign
2. Increase annual plan contributions by 5%: Web banner and New Year Annual Reviews
3. Solicit missing beneficiary records: Send targeted letter with instructions.
4. Future goal: Diversify Stable Value Positions (when appropriate) by diversifying 10%: Targeted Mailing to CSV holders under 50.

Retirement Readiness: Ms. Heyel presented the findings of a survey conducted by Empower Institute, a not-for-profit "think tank" led by Dr. W. Van Harlow regarding retirement readiness. Of the 4,000 respondents:

- 22% of workers are very confident they will have enough money to live comfortably in retirement.
- 37% of workers are very confident they can pay for basic expenses in retirement.
- 18% of workers are very confident about their ability to pay for medical expenses in retirement which is a large concern for Americans. Currently, in retirement, medical expenses represent 25% of expenses.

An online census-weighted survey of 4,004 working Americans, between the ages of 18-65 identified that the largest gap between participants making savings choices and those not making choices was access to financial planning/advisory services. People with access to advisory services were able to save 82% of their income. People with no access to advisory services were able to save 55%. Empower is attempting to translate advisory service to the LADCP website. The website is being overhauled to display the participant's projected retirement income as they access the site—post log in. The screen

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will be interactive so that the participant can immediately see the difference increasing deferrals can make at retirement. The site will also include a link to a managed account provider for additional investment guidance. Disclaimers will be present on the site so that participants do not interpret the information as guaranteed. Two new features are being added to the website:

- **Healthcare Estimator:** Health history and anticipated retirement age. This is primarily for the pre-retirement age group of 45 – up.
- **How do I compare with my peers (social norming)?**

Ms. Heyel pointed out that people are very aware that they need to save but they just don't. The tools noted are designed to motivate participants to take action.

Mobile applications through Apple phones is being developed that will be fully transactional.

Other Business

Commission Member Ethics Requirement: Commission Member ethics report requirements are due on May 15, 2016. Ms. Andrews sent Commission Members a reminder via email.

Cooperative Endeavor Arrangement (CEA): Ms. Andrews notified the Commission that the current CEA is expiring. A new contract has been drafted which is exactly the same as the old one except for a few date changes. The fee remains at \$15,000/year – not an hourly rate. The fee may be changed to an hourly rate in the future in the event that the Plan requires more assistance from the AG's office than they currently do.

NAGDCA Review: The Annual NAGDCA Conference will be held in Denver, CO on September 18-21, 2016. Commission members will decide whether or not they will be attending by the May 17th meeting.

Participant Member Election Update: There will be an election in June, 2016 for the participant member seat on the Commission. The candidates are Eric Torres and Whit Kling.

Ballots were included in the first quarter statements mailed to participants in April, 2016.

Appendix: Articles, flyers and surveys noted throughout the meeting were included in the Appendix for review.

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Fiduciary Webinar: Ms. Hubbard participated in the webinar and looks forward to additional information from Empower Retirement regarding the role of the fiduciary and rules noted in the webinar.

Adjournment

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 11:47 a.m.

Virginia Burton, Secretary