

# **MINUTES**

## **Louisiana Deferred Compensation Commission Meeting April 16, 2013**

The Monthly Meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, April 16, 2013, in the offices of the Plan Administrator, 2237 South Acadian Thruway, Suite 702, Baton Rouge, Louisiana 70808.

### **Members Present**

Emery Bares, Chairman, Designee of the Commissioner of Insurance  
Virginia Burton, Secretary, Participant Member  
Lela Folse, Designee of the State Treasurer  
Andrea Hubbard, Designee of the Commissioner of Administration  
Whit Kling, Vice-Chairman, Participant Member  
Len Riviere, Designee of Commissioner of Financial Institutions  
Troy Searles, Participant Member

### **Others Present**

Perry Christie, VP PNP Major Accounts, Denver GWF  
Lindsey Hunter, Louisiana Attorney General's Office  
David Lindberg, Consultant, Wilshire Associates, Inc.  
Connie Stevens, Director, Client Relations and Plan Consultants, Baton Rouge GWF  
Jo Ann Carrigan, Lead Office Coordinator, Baton Rouge GWF

### **Call to Order**

Chairman Bares called the meeting to order at 10:03 a.m.

### **Approval of Commission Meeting Minutes of March 19, 2013**

The minutes of March 19, 2013 were reviewed. Ms. Hubbard motioned for acceptance of the minutes. Mr. Kling seconded the motion. The Commission unanimously approved the minutes.

### **Acceptance of Hardship Committee Report of April 12, 2013**

Mr. Kling motioned for acceptance of the Hardship Committee Report April 12, 2013. Ms. Burton seconded the motion. The Commission unanimously approved the report.

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

**Administrator's Report**

**Plan Summary** as of March 31, 2013, was presented by Ms. Stevens. Assets as of March 31, 2013: \$1.259.94 Billion. Asset change YTD: \$49.16 Million. Contributions YTD: \$25.04 Million. Distributions YTD: \$23.36 Million. Net Investment gain YTD: \$47.48 Million.

**Participation by Asset Class and Investment Option effective March 31, 2013** report was reviewed by Ms. Stevens. The following funds will change share classes to lower expenses effective May 20-21, 2013: (1) The International Sector: Great-West MFS International Value, Oppenheimer Developing Markets, American Fund EuroPacific and American Funds Capital World. The Great-West MFS International Value will become MFS International Value. (2) In the Small Cap sector: Perkins Small Cap Value; (3) Mid Cap sector: Artisan Mid Cap Value and (4) Large Cap: American Funds Washington Mutual. The Plan will not have access after the market closes on May 20<sup>th</sup> and will re-open as soon as possible on May 21<sup>st</sup>. Participant notification was released in the March 31, 2013 statements and 30 days after the date participants receive their statements, the change will take place.

**Unallocated Plan Assets:** Ms. Stevens presented UPA Account activity for March, 2013. Beginning balance: \$3.018 Million as of December 31, 2012; Ending balance as of March 31, 2013 was \$3.094 Million. Activity for March, 2012 included interest of \$8,015 and a payment of the Great-West recordkeeping fee. Ms. Stevens pointed out that the UPA will soon reflect a lower balance due to changes affecting fees to offset contractual amounts due. Actions taken by the Commission to affect the UPA balances include: reduction of mutual fund and GW fund revenue in May, 2013, and reduction of Stable Value revenue and participant recoveries effective January, 2013. Mr. Lindberg pointed out that due to strong market performance over the past four years; the revenue share is bigger than it would ever be once we return to a more stable market. US Equity markets over the last three years are up about 13%.

**Automation of Payrolls Update:** Ms. Stevens reported that Great-West presented three instructional webinars during the period of March 26, 27, & 28, 2013 to inform payroll personnel on how to automate procedures. Approximately 22 payrolls participated in the webinars with the intent of converting to automated payrolls. As of April 15, 2013, there

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are 178 non-automated payrolls. (This figure is based on those payrolls that have filled out paperwork to begin automated payroll procedures. There is a report being generated to reflect the number of payroll departments that are actually using the automated method. Additional webinars will be offered along with a follow-up memorandum. After that, a more targeted approach will begin with individual visits to payroll departments for the purpose of converting payrolls to automated procedures. Ms. Stevens will provide the number of participants from non-automated payrolls to the Commission at the May, 2013 meeting.

**Fund Change Update:** A listing of the changes noted previously in this report was reviewed under “Fee and Fund Facts” included in the March 31, 2013 “Keynotes” newsletter to participants.

**Public Hospital Data:** Ms. Stevens reviewed public hospital participant data highlighting participants with a balance and those with a balance who are contributing to the Plan during the period of 2012 to 2013. The two large LSU HSC locations in Shreveport and New Orleans are offering investor education seminars that Great-West representatives are participating in. Overall, participants with a balance were down by 1,219. Participants with a balance and contributing were down by 306.

### **Managed Accounts**

Managed Accounts was placed on the agenda by Mr. Searles. Mr. Searles is interested in why the number of participants participating in Managed Accounts has grown. Specifically, there were 50 Managed Account participants with over \$150,000 in the Plan in 2011 as compared to 85 in 2012 (a 70% increase). Participants with a balance of \$100,000-\$124,999 participating in Managed Accounts increased by 56% in the same time period. All participants in Managed Accounts with a balance over \$125,000, increased by 32%. Mr. Christie pointed out that the increase in Managed Accounts reflected trends in the general population in every asset class (except the smaller ones) responding to a strong market. When the market goes down, there will be an opposite effect. Mr. Christie stated that he would like to see more participants in Managed Accounts. In the market as a whole, most new participants want Target Dates because they don't know how to manage their own money. Target Date Funds are a diversified product that makes adjustments based on the age of the participant. Managed Accounts is a service – not a product. Reports related to accumulating wealth show that it's not where you invest but how much you invest. Managed Accounts provides a constant report-card to participants making them aware of whether they are going to meet their retirement goals or not. Managed Accounts also educates the participants on when and

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how to take money out of the account during retirement. Great-West representatives do not target market the Managed Accounts service nor large-balance participants. Overall, the numbers of participating members are modest. The Managed Account fee is based on the large, LA billion dollar plan resulting in fees less than what a participant would be charged outside of the Plan. Currently, 7,073 participants are enrolled in Managed Accounts (18.61%). Managed Accounts was adopted in 2005. Mr. Lindberg recommended that from a Qualified Default Investment Option (QDIA), participants should enroll in something that allocates their assets such as Target Date Funds and Managed Accounts. Younger participants with smaller accounts don't necessarily need Managed Accounts. Ms. Stevens offered copies of Shlomo Benartzi's book, "Save for Tomorrow" to Commission members on behavioral investing.

#### **Roth 457**

Ms. Stevens reported that Great-West and State Payroll are in discussion regarding details related to the implementation of offering Roth 457 to participants.

#### **Investment Review**

Mr. Lindberg presented a "flash report" of fund performance as of March 31, 2013. Due to the rallying market, it has been a difficult time for account managers to beat indexes. In the US Equity market, year-to-date, all funds in the Plan (except the Ariel Appreciation Fund) have underperformed during the past quarter relative to the benchmark. The good news is that most participants are experiencing positive returns. Relative to the Lipper Large Cap Core Universe, roughly 70% of US Equity funds in the broad universe have been underperforming the benchmark in the rallying market.

#### **Marketing Report**

There were 184 new applications received during the month of March averaging \$3,324 per application. There were 392 increases and restarts at an average of \$7,462 per request. New enrollments came primarily from St Charles Parish Sheriff, Interim LSU Pub Hospital-N.O., St Mary Parish Sheriff, University Med Center-Lafayette, and Bossier Parish Sheriff.

#### **Other Business**

**Site Visit:** A Site Visit has been scheduled for May 7-9, 2013 (Tuesday, Wednesday, and Thursday). Ms. Stevens presented a draft agenda for the meeting.

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**NAGDCA:** The Annual NAGDCA Conference is scheduled for September 8-11, 2013 in Louisville, KY. To register for the Annual Meeting, attendees must do so on-line. Hotel registration should also be completed by each attendee.

**Board Policy for Commission Members:** Ms. Hunter reported that she has spoken with all retirement systems except for Teachers and found that none of them have a written policy regarding Commission members contacting the Plan for information. Ms. Hunter recommended that the Commission not adopt a written policy regarding such requests. The Commission concluded that except in the case of public record requests, Commission members may continue to contact Ms. Stevens for information. At Ms. Stevens' discretion, requests may be shared with the Chairman, Vice Chairman and/or Ms. Hunter, if necessary.

**Adjournment**

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 11:15 a.m.

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Virginia Burton, Secretary