

MINUTES

Louisiana Deferred Compensation Commission Meeting June 18, 2013

The Monthly Meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, June 18, 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

Not Present

Troy Searles, Participant Member

Others Present

Lindsey Hunter, Louisiana Attorney General's Office
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 10:01 a.m.

Approval of Commission Meeting Minutes of May 21, 2013

The minutes of May 21, 2013 were reviewed. Mr. Kling motioned for acceptance of the minutes. Ms. Burton seconded the motion. The Commission unanimously approved the minutes.

Acceptance of Hardship Committee Report of June 10, 2013

Mr. Riviere motioned for acceptance of the Hardship Committee Report June 10, 2013. Mr. Kling 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 May 31, 2013, was presented by Ms. Stevens. Assets as of May 31, 2013: \$1,282.37 Billion. Asset change YTD: \$71.59 Million. Contributions YTD: \$43.26 Million. Distributions YTD: \$39.88 Million. Net Investment gain YTD: \$71.59 Million.

Participation by Asset Class and Investment Option: Ms. Stevens reviewed the fund changes made on May 20 and 21, 2013 involving seven funds. These changes were made to reduce investment operating expenses. Ms. Stevens highlighted the changes in expense ratios (before and after) as a result of this action.

Unallocated Plan Assets: Ms. Stevens presented UPA Account activity for June, 2013. Additions to the UPA, by category, were reviewed noting the impact the fund changes have had and will have on the UPA. Participant recoveries were reduced January 1, 2013 and Mutual Fund fees have been reduced effective May 21, 2013. The Great-West Fund Revenue will be eliminated completely in the second quarter and there is no Stable Value sharing as of January 1, 2013. Total additions in the first quarter of 2013 were \$555,850 as opposed to \$678,000, fourth quarter, 2012 – a significant reduction.

Beginning UPA balance: \$3.080 Million; Ending balance as of May 31, 2013 was \$3.183 million. Deductions included reimbursement to Commission members for travel expenses to the site visit, Great-West recordkeeping fees and LA Dept of Justice services.

Automation of Payrolls Update: Ms. Stevens gave an update in converting non-automated payrolls to automated payrolls. There are 185 non-automated payrolls to date. Ms. Hunter submitted a draft of a revised letter to be sent to all non-automated payrolls from the Commission reminding them of the deadline to automate their payroll systems. The letter includes a statement noting that the Commission is currently reviewing its options with regard to those payrolls who fail to meet this requirement on time. The Commission discussed the potential ramifications of not automating. Options discussed included the possibility of charging a fee to individual payrolls or to participants from payrolls who do not convert and/or dropping employers from the Plan altogether. Ms. Stevens pointed out that research would have to be done to determine whether the Great-West infrastructure is in place to be able to implement and enforce additional participant fees for non-automated payrolls. Mr. Kling motioned that the revised letter be mailed to non-automated payrolls with results to be

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reviewed in August. Ms. Hubbard seconded the motion. The Commission unanimously approved the motion.

The RPC's have been given a list of unconverted payrolls to target in their assigned territories. Additional webinars and a calling campaign have also being planned.

Outsourcing of Unforeseen Financial Emergency Procedures: In May, the Commission voted to "outsource" Unforeseen Financial Emergency procedures to the Home Office of Great-West Financial. Upon further review, Ms. Stevens learned that outsourcing this function requires full payroll data interface. As a result, Unforeseen Financial Emergency procedures must remain status quo as not all payrolls in the Plan have payroll data interface. This rule also applies to QDRO and Death Claim processes.

Record Retention: Ms. Stevens reported on her findings of a sampling of documents taken from the paper files stored in the Baton Rouge office. It was noted that of the files sampled, the documents may or may not also be stored electronically. Great-West would like to "scrub" the files of all documents except beneficiary paperwork. Ms. Hunter stated that she will contact David Aspinwall, Chief Risk Officer and Chief Legal Counsel, Litigation of Great-West to discuss what documents must be kept and what authority this decision is based upon. Ms. Hunter anticipates presenting a final recommendation to the Commission within the next couple of months. Ms. Hunter is also checking with State Archives to determine if paper files could be stored in their facilities. Two file retention firms (Iron Mountain and DataKeepers, LLC) have been contacted to secure an estimate on the costs associated with scanning, shredding and storage of the files. Preliminary quotes have been received but additional information is needed to determine what documents must be scanned/stored. Mr. Kling motioned to allow Ms. Hunter to complete her review so that a determination of what files must be retained can be made. Once this information is available, bids could be received for a review/file retention service to be paid for by the Commission. Ms. Burton seconded the motion. There was no objection and the motion carried.

Roth 457: Ms. Hubbard reported that State payroll is ready to move on with the system change regarding the Roth 457 option. The process should take approximately four weeks to complete. A motion from the Commission to add the Roth 457 would serve as State payroll's authority to proceed. Individual payroll departments would also need to be notified. There are two components to consider: Contribution only and In-Service conversion of existing assets to Roth. Record-keepers are awaiting IRS clarification of rules/procedures on In-Service conversions due to the law so recently going into place (January, 2013). The Commission deferred this issue until the July, 2013 meeting

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awaiting a report from Ms. Hunter regarding whether or not all payrolls (automated and non-automated) could offer the Roth 457 option to participants.

Public Hospital Update: Ms. Stevens stated that Great-West has been contacted by two New Orleans area financial advisors requesting a quote on the privatizing hospitals. It is understood that their goal is to open up a new plan for the purpose of moving the participant accounts in the participating public hospitals within the Deferred Compensation Plan to a 401K. Ms. Stevens reviewed the Plan Document and found no provision for terminating a division within the Plan. The Plan allows individual participants to distribute their funds 30 days after termination of service. Ms. Hunter stated that there is no provision in place for transferring a subset of Deferred Compensation to another Plan. It is an individual decision. Further, requests of this nature should be addressed directly before the Commission and it must be understood from what authority they are acting. It is not Great-West's responsibility to respond to this time of inquiry.

Marketing Report

There were 190 new applications received during the month of May averaging \$2,402 per application. There were 289 increases and restarts at an average of \$7,799 per request. New enrollments came primarily from Medical Center of LA, Tangipahoa Parish Sheriff, Huey P Long Memorial Hospital, St Charles Parish Sheriff's Dept. and DOTD.

Wilshire 1Q13 Investment Report

The March 31, 2013 Wilshire Executive Summary of Investment Performance was provided by Wilshire for review.

Other Business

NAGDCA: The Annual NAGDCA Conference is scheduled for September 8-11, 2013 in Louisville, KY. Ms. Stevens will register attendees for the Annual Meeting by August 8, 2013. Hotel registration should be completed by each attendee as soon as possible.

September 17, 2013 Commission Meeting: The September Commission meeting has been cancelled due to NAGDCA and additional scheduling conflicts.

Adjournment

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 11:06 a.m.

Virginia Burton, Secretary