AMENDED MINUTES

Louisiana Deferred Compensation Commission Meeting

March 21, 2017

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, March 21, 2017 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
Lela Folse, Designee of the State Treasurer
Andrea Hubbard, Designee of the Commissioner of Administration
Whit Kling, Vice-Chairman, Participant Member
Len Riviere, Co-Designee of Commissioner of Financial Institutions
Laney Sanders, Participant Member

Others Present
David Lindberg, Managing Director, Wilshire Consulting
Danette Rausch, AVP Partner Strategy
William Thornton, Senior Manager, Client Portfolio Services, Great-West Financial *via Conference Call*
Connie Stevens, State Director, Baton Rouge, Empower Retirement
Jo Ann Carrigan, Sr. Field Administrative Support, Baton Rouge, Empower Retirement

Public: Carla S. Roberts, employee of the Louisiana State Senate

Call to Order
Chairman Bares called the meeting to order at 10:01 a.m.
Roll call was taken by Jo Ann Carrigan.

Approval of Commission Meeting Minutes of February 14, 2017
The minutes of February 14, 2017 were reviewed. Mr. Kling motioned for acceptance of the minutes. Ms. Burton seconded the motion. The Commission unanimously approved the minutes.

The Hardship Committee Report of March 2, 2017 was reviewed. Mr. Kling motioned for acceptance of the Hardship Committee Report of March 2, 2017. Mr. Riviere seconded the motion. The Commission unanimously approved the reports.

Public Comments: Carla Roberts, an employee of the LA State Senate, addressed the Commission regarding offering a cash option. Mr. Roberts referenced a letter addressed to the Attorney General that was written by two members of the Legislature and forwarded to each member of the Commission prior to the meeting. Ms. Roberts stated that it would be more tax-advantageous to her if she could make her tax-deferred contributions through the LA Deferred Compensation Plan. Ms. Roberts concluded that the Self-Directed Brokerage account would be ideal for people like herself but stated that the problem is the $2500 membership fee required to be able to take advantage of this option. Ms. Roberts suggested that a cash option be added. The list of options in the funds, in particular, the Stable Value Fund, includes a list of companies whose stock participates in giving money directly to Planned Parenthood. Ms. Roberts reported that Planned Parenthood is the largest abortion provider in the country having assisted in 300,000 abortions. Ms. Roberts described herself as a "church-going Catholic" who cannot support/tolerate being required to participate in the indirect funding of abortions for any reason. Ms. Roberts stated that she refuses to purchase products such as laundry detergent and tennis shoes if they are made by the companies on the list. Ms. Roberts asked the Commission to provide an option for cash. Ms. Roberts believes that the law requires that one of the options offered be a "savings account." Most people read "savings account" as cash or at the very least, a money market account. LA Law prohibits public funds and Boards and Commissions from giving money directly to abortion providers. Ms. Roberts stated that the irony is that the Commission is mandating that employees participate in funds that provide abortions. Ms. Roberts implored the Commission to consider offering a cash option in response to people, like herself, who are looking for faith-based alternatives. Ms. Roberts pointed out that the Commission has the authority to make this change according to statutes.

Mr. Bares stated that Ms. Roberts' concerns would be taken under advisement and reviewed with legal counsel. Ms. Roberts thanked the Commission for the opportunity to voice her concerns.

Administrator's Report

Plan Update - Ms. Stevens presented the Plan Update as of February 28, 2017. Assets as of February 28, 2017: $1,552.41 Billion. Asset change YTD: $41.67 Million; Contributions YTD: $15.79 Million. Distributions YTD: $19.84 Million. The Net Investment gain YTD: $45.72 Million which reflected a strong market. Contributions lagged behind distributions in February.

Archive Report 2016 – The Archive Report is presented annually by Ms. Stevens as a review of activity dating back to 1986 when the Plan was acquired by Great West. Assets in the Plan as of 12/31/1986: $30,367,257; Assets in the Plan as of 12/31/2016: $1,508 Billion.

Unallocated Plan Asset Account Report – February 28, 2017: Ms. Stevens reviewed the UPA for February, 2017. Cash balance on hand as of January 31, 2017 was $2,845,883.72. Ending balance as of February 28, 2017: $2,413,275.11. Deductions included NAGDCA Membership, Great West Financial Recordkeeping and the LA Office of State Register was paid for the extension of the flood emergency rule that expired in December of 2016. Additions included interest for the month of February.

Wilshire Associates

Performance Report 4Q16: Mr. Lindberg reviewed Annual Asset Class Returns from best to worst in 2016 noting that High Yield Bonds were up 17.1% and US Equity Markets were up 13.4%. It has been a strong market over the past five years in terms of returns. From a market standpoint, all of the money that was lost in 2008 has been recovered. US Economic Growth: The current economic expansion began in 2Q09. The annualized real growth during that period was 2.1%. Although it is one of the lengthiest expansions of the past 100+ years, cycles have been trending longer, in general. US Equity Market sectors reflect post-election anticipation of lower taxes and deregulations. The market is beginning to "price in these factors" whether or not these things actually occur. Year-to-Date figures reflect positive returns. Investment performance of the two domestic equity funds reflect that passive funds are close to indexes. The actively managed fund, MFS Core Equity Fund, underperformed during the calendar year 2016 by 1.23%. Mr. Lindberg stated that it is difficult to outperform indexes in the US equity markets. Eighty five percent of funds did not match the indexes. Many of the funds are ahead of indexes year-to-date in 2017. Target Date Funds: The past five years have reflected a strong equity market resulting in strong returns of the Target Date Funds and therefore, strong returns for participants.

Commingled Fund Discussion: Mr. Lindberg stated that there is an opportunity to lower fees on four existing funds. Mr. Lindberg distributed two articles related to lawsuits where participants in the corporate world are suing plan sponsors because of fees. In general, if there is an opportunity to lower fees, the Plan Sponsor must do so. In cases like ABB and Tibble, courts seem to be saying, "Where there is a cheaper service provider/fund that does the same thing (and is easily obtainable), prudent requires that you buy that service provider/fund, or at least consider it." CIT's (Collective Investment Trusts) generally are less expensive investment options than mutual funds. CIT'S are also available as lending funds that provide income to offset fees. Savings through lending will be seen by the participant in performance. For discussion purposes, four funds have been identified as funds with higher fees: Principal Diversified Real Asset Fund, BlackRock Total Stock Market Index, BlackRock Total Intl ex US Index and BlackRock US Total Bond Index. The Principal Diversified Real Asset Fund is now at 90 BP. If this mutual fund (90 BP) was switched to a CIT (74 BP) there would be a fee savings of 16 BP. The question was asked if the 74 BP for the CIT could ever go up or could this fee be locked in. Ms. Stevens pointed out that there is an agreement/contract between the investment company and the Plan which specifies the costs. Mr. Lindberg will research whether or not the contract locks in the stated fees. Ms. Stevens noted that there is an existing agreement with BlackRock that would have to be amended to include funds for CIT's. An amendment would also have to be made to the Principal Diversified Real Asset Fund agreement which is already on the platform. The BlackRock options are not on the platform and would have to be added. The Plan has offered CIT's in the past. If the decision is made to move to CIT's, even though the product is not changing, there would still need to be a mapping as this must be treated as a fund change. Mr. Lindberg stated that he is sensitive to the participant's perspective that this type of move may appear as another fund change. Mr. Lindberg stated that the moves would have to be communicated as a reduction in costs resulting in no change in underlying investments. Mr. Kling suggested that if it is anticipated that more changes are warranted in the future, these changes should be addressed at the same time. Mr. Kling asked that the other three funds be reviewed in relation to fee reduction. Further, Mr. Kling asked that there be a review of the existing fund lineup to determine if any additional action is recommended. Mr. Lindberg will present his research at the May or June Commission Meeting. Ms. Stevens will provide the timing in which a change must be communicated to participants once any decisions are made.

Custom Stable Value

Investment Policy Statement (IPS) Review: Mr. Thornton forwarded the new template to Wilshire for consideration and review. Jack Brown, VP Lead Portfolio Manager, Mr. Thornton and Mr. Lindberg will discuss
revisions with Wilshire. Mr. Thornton pointed out that there is no urgency to make the changes.

Corporate Credit Letter Revision 4Q16: Mr. Thornton apologized for presenting the Quarterly Credit Letter in February that stated that the Lehman Brothers Bond, held since 2008, was paid out in mid-January, 2017. The Lehman Brothers Bond has not been paid out. The credit letter was revised and presented to the Commission. The error was the result of new personnel misreading the information. Mr. Thornton stated that the Lehman Brothers Bond will continue to be held.

Other Business

Participant Member Election Update: Mr. Bares congratulated Ms. Sanders on her successful reelection to the Commission as a Participant Member. Ms. Sanders was unopposed in the election. Ms. Sanders stated that she appreciated the opportunity to continue to serve on the Commission.

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