MINUTES

Louisiana Deferred Compensation Commission Meeting
May 17, 2011

The Monthly Meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, May 17, 2011, 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
Andrea Hubbard, Co-Designee of the Commissioner of Administration
Len Riviere, Designee of Commissioner of Financial Institutions
Troy Searles, Participant Member

Members Absent

Robert Henderson, Participant Member
Whit Kling, Vice-Chairman, Designee of the State Treasurer
Steven Procopio, Designee of Commissioner of Administration

Others Present

Connie Stevens, Regional Director, Baton Rouge GWRS
Lindsey Hunter, Louisiana Attorney General's Office
Jo Ann Carrigan, Lead Office Coordinator, Baton Rouge GWRS

Call to Order

Chairman Bares called the meeting to order at 10:04 a.m.

Approval of Commission Meeting Minutes of April 19, 2011

The minutes of April 19, 2011 were reviewed. Ms. Burton motioned for acceptance of the minutes. Mr. Riviere seconded the motion. The Commission unanimously approved the minutes.

Acceptance of Hardship Committee Reports of May 6, 2011

Ms. Hubbard motioned for acceptance of the Hardship Committee Report of May 6, 2011. Ms. Burton seconded the motion. The Commission unanimously approved the report.

Administrator's Report

Amendment to the published agenda: Hardship consideration for anticipated LA flood victims. Ms. Burton motioned to amend the agenda. Roll-call was taken of the Commission members present and the motion carried to amend the agenda. Ms. Burton motioned to establish the same criteria for flood-disaster withdrawal hardship requests as has been followed in past disasters. Specifically, participants may submit hardship requests of up to $5000 with signature documentation from the participant. Hardship requests above $5000 would require normal hardship documentation as outline by the IRS. Mr. Riviere seconded the motion. The Commission unanimously approved the motion.

Plan Update as of April 30, 2011 was presented by Ms. Stevens. Assets as of April 30, 2011: $1.12 billion. Asset change YTD: $66 million. The stock market rally has influenced activity; however, challenges are evident during the past week. Contributions YTD: $34 million. Distributions YTD: $21 million. Net Investment gain YTD: $53 million.

Participation by Asset Class and Investment Option: The LifePath Index Funds are at $90.4 which reflects an increase in value since being added in November of 2010. There has been significant growth YTD in the Small and Mid-Cap arenas.

Quarterly Annual Plan Review as of March 31, 2011: Assets as of March 31, 2011, were at $1.089 million. Asset change in one calendar year from April 1, 2010 to March 31, 2011 reflects an increase of $137.62 million. The Plan took in $106 million in contributions and distributed out approximately $63 million. The Net Investment Gain was almost $94 million.

Plan Overview: Plan Assets grew by $137.62 million ($75 million in net contributions and $62 million in market gain). Plan asset growth over the last five years has been steady even with a dip down due to 2008 stock market conditions. Asset distribution by fund: The average account balance by participant has grown from $23,068 since March 2010 to $26,625 in March of 2011. Contributing factors to this increase include participant incentive pay and 300 hours contributions from participants retiring. Mr. Searles requested a chart be added to future reports that reflect the range of balances by participants. Ms. Stevens agreed to add the report at least once per year for the purpose of comparison. LifePath Funds (Number of Participants): There is a large population of participants in the LifePath Index Retirement Fund and the LifePath Index 2020-2035 funds. Participants in these funds consist of those who are close to retirement or right at retirement. Participants in the LifePath Retirement Fund are 65 years or older and are mapped by date of birth. Investment Performance: Small and Mid Cap categories reflect tremendous growth. Oppenheimer Developing Markets (International) YTD is 2.72%. Fixed Fund Rates: Participants are getting 3.6% but this is gradually coming down primarily because of new money contributions and maturing positions in the portfolio are being invested in new bonds with lower rates. Contribution History: There is a steady climb in contributions in the last five years. Outstanding Loan Balances: Loan balances continue to climb in number of participants with loans and in dollar amount. Loans have increased but Hardships have not. The payback of loans continues to be a problem with participants from political subdivisions. The Plan Document is being amended to require a 30 day delay between the payoff of one loan and the application for the next. The goal is to stop violation of the Plan Document related to payoff of the original loan with an "insufficient funds check" and a second loan being approved prior to the check clearing. KeyTalk and Internet Activity: Participants are using the Internet to enroll (state payroll) and to change their deferrals. Managed Accounts: There is an increase in the number of participants in Managed Accounts year over year. As the market goes up, participants don't want to be in Stable Value and prefer to be in the market so they tend to move to Managed Accounts. Managed Accounts is no longer the default so an increase in this area reflects that participants want to be in the market. There is a new component to Managed Accounts that allows the participant to converse with the Advised Assets Group Advisors who will provide a mini-financial plan over the phone. There is also a "spend-down" version of Advised Assets Group that provides a plan on how to spend the money down and make it last for a long period of time. The industry has been very good at educating participants to accumulate, but not as good at educating participants on how to make the money last once it has been accumulated.

Great-West Update: Number of participants: 4.4 million; Great-West Life & Annuity Insurance Company ranked as the nation's fourth largest record keeper based on the number of participants as named by "PLANSPONOR" magazine. Automatic Payroll Update:

Efforts continue to transition various payrolls from mailing checks and paper transmittals to an automatic payroll system. LSU HSC-Shreveport is currently working on transitioning to electronic transfer of funds but they prefer to use a program called "File Transfer Protocol" which is a little different and requires some adjustment so that systems can "talk" to each other. All parties are confident that this will soon be realized. LSU-Shreveport just converted and next up will be the Interim Hospital in New Orleans (formerly Charity Hospital). Great-West has recently renewed relationships with the states of Wisconsin and Alaska. New relationships consist of the states of Washington, New Hampshire and South Carolina in 2010. Great-West current ratings are all in superior, very strong and excellent categories. Fitch Ratings: Recently downgraded its rating by one step primarily because of Great-West's ownership of Putnam and its drag on earnings and assets. Great-West is very conservatively run and did not experience the ratings downgrades that other insurance companies experienced in 2008-09.

Update on Fund Expenses/Mapping: On May 23-24, ten mutual funds will be mapped to lower cost share classes. Participants have been advised that access to the Plan would be closed after the market closes on Monday, May 23rd (3:00 p.m.) and would reopen on the morning of May 24th. The Plan will reopen on May 24th in the afternoon instead of in the morning. Fee reductions on the Stable Value and Index Funds went through on April 1, 2011 as noted in the newsletter ("LA KeyNotes") to the participants.

Commission Activity Fund (CAF) and Revenue Reconciliation: Cash balance as of 3/31/11: $2.54 million; As of April 30, 2011: $3.38 million. Additions consisted of: Recoveries of mutual funds, participant administrative fees, Stable Value revenue, BlackRock revenue, Maxim Fund revenue and interest. First Quarter Revenue Reconciliation Report: $408,262 in fees from participants; $448,961 in revenue sharing totaling $857, 223. Contractual fees due to Great-West Life for one quarter: $629,904 leaving a balance in the Plan of $227,319.84. The Stable Value Fund Revenue ($153,397) is measured at 12 basis points which were reduced on April 1st to 6 basis points. The BlackRock Fund Revenue ($27,155) was reduced to zero on April 1st. The Mutual Fund Revenue received is expected to go down as a result of moving into lower revenue sharing classes.

Stable Value First Quarter Report: Al Cunningham, Director of Advised Assets Groups is retiring after 30-plus years of service. Lehman Brothers had its rating withdrawn after filing for bankruptcy. Cathe Tocher, Portfolio Manager, recommends that the fund continue to hold the security awaiting bankruptcy work out. Quarterly Statement: The Market Value of Assets to Book Value of Liabilities is 103%. Credited Rate to Participants: 3.60% (compared to 3.70% last quarter). The Asset Based Administrative Fee of 12 basis points will be reduced to 6 basis points on the next report.

Economic and Capital Markets Review: The Consumer Price Index (CPI) increased 2.7% for the 12 months ending in March mainly driven by energy and food. The core CPI (minus food and energy) rose 1.2% for the prior 12 months. The cost of energy continues to rise. International equity: Japan continues to struggle due to the earthquake/tsunami disaster. Emerging Markets stocks lagged in the first quarter as investors grew more risk averse. Fixed Income Sector: High-Yield Bonds continue to outperform while government bonds fell. Treasuries remain low hovering close to zero.

Marketing Report

New participants added to the plan in April, 2011: 115; YTD: 593. These figures are "light" considering that April was benefits fair month throughout the state. Comments received from participants include: "I don't want to join due to layoffs." "We haven't had a raise in three years." These issues present challenges to the Plan but efforts are being made to find a more creative way to get people interested in the Plan. The State is offering another benefits fair in October of 2011. State agencies and political subdivisions with the most activity included: DHH: Off for Citizens with Dev Disorders and Tangipahoa Sheriff which recently offered a match for the first time.

Other Business:

Period for Public Comment ends May 20, 2011. As a result, the final rule will be published in the June Register. Once the Register is published, the rules will be final. There have been no public comments or inquiries.

NAGDCA 2011 Annual Conference will take place in Albuquerque, NM, September 10-14, 2011. Commission members were encouraged to attend to enhance their knowledge base.

Ms. Hunter confirmed with Commission members that all financial reports were filed with Ethics on time.

Adjournment

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 10:48 a.m.

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Virginia Burton, Secretary