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Louisiana Deferred Compensation Commission Meeting May 20, 2014

The Monthly Meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, May 20, 2014 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, Designee of the Commissioner of Administration
Whit Kling, Vice-Chairman, Participant Member
Len Riviere, Designee of Commissioner of Financial Institutions
Troy Searles, Participant Member

Not Present

Lela Folsie, Designee of the State Treasurer

Others Present

Bill Thornton, Sr. Manager Client Portfolio Services AAG–Denver, GWF *By Conference Call*
Fred Minot, Manager Retirement Plan Counseling, Jacksonville, GWF
Lindsey Hunter, Louisiana Attorney General’s Office
Connie Stevens, Director, Client Relations and Plan Counseling, 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 April 15, 2014

The minutes of April 15, 2014 were reviewed. Mr. Searles motioned for acceptance of the minutes. Ms. Hubbard seconded the motion. The Commission unanimously approved the minutes.

Acceptance of Hardship Committee Report of May 2, 2014

Mr. Kling motioned for acceptance of the Hardship Committee Report of May 2, 2014. Mr. Riviere 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

Ms. Stevens introduced Fred Minot, Manager Retirement Plan Counseling. Mr. Minot will be managing Retirement Consultants for the State of LA. Mr. Minot will be responsible for RPC training, supervision, expenses and staffing.

Plan Summary as of April 30, 2014 was presented by Ms. Stevens. Assets as of April 30, 2014: \$1.376 Billion. Asset change YTD: \$10.25 Million. Contributions YTD: \$31.42 Million. Distributions YTD: \$35.96 Million. Ms. Stevens reported that distributions were 14% more than contributions YTD. The Net Investment gain YTD was: \$14.79 Million.

Participation by Asset Class and Investment Option: Ms. Stevens noted that Stable Value currently makes up 45% of assets. This percentage is usually around 50% and could be attributable to market growth over the last few years and/or fewer participants in the Stable Value.

First Quarter Plan Review: Ms. Stevens presented a review of the Plan as of March 31, 2014. The Executive Summary reflects an increase in distributions during the first half of the year as compared to the trailing 12 month period. Assets continue to grow primarily because of investment returns. Full withdrawals increased to 33% of distributions for the period of April 1, 2013 to March 31, 2014 as compared to 17.1% in the previous year (April 1, 2012 to March 31, 2013). In the 2013 calendar year, there were 508 full withdrawals from hospital closures specifically. The Asset Distribution by Fund report reflects a decrease of 2,400 participants in the Stable Value due in part to a distribution of funds and/or movement to Mid and Large Cap funds. 2013 contribution history reflects \$4,503 as the average annual participant contribution which works out to be approximately \$175 per paycheck on an annual 26 pay period schedule. There were 22,685 participants contributing to the Plan in 2013 as opposed to 26,286 in 2008. There was a slight increase in DeMinimus withdrawals from the previous year (223 vs. 169). Ms. Stevens pointed out that there were fewer Purchase of Service requests and more Death Benefit Claim requests during the period in review. There were 7,598 participants in Managed Accounts. Great-West added West Virginia and Kansas in 2014 as new client relationships bringing the total to 22 states that Great-West serves as record-keeper.

Unallocated Plan Asset Report-April 2014: Ms. Stevens reviewed the Unallocated Plan Asset Report for the month of April. The cash balance on hand as of March 31, 2014 was \$3.421 Million. The ending balance as of April 30, 2014 was \$3.913 Million. Deductions in the month of April included Wilshire and election expenses which were significantly lower this year due to electronic transmission of information and the fact that Mr. Searles ran unopposed resulting in no election.

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Additions to the UPA during the same period included participant recoveries, Mutual Fund fees (revenue from existing mutual funds) and interest. Mr. Lindberg of Wilshire will be in attendance at the July 2014 Commission Meeting to discuss/offer recommendations related to UPA incoming revenue. Ms. Stevens reviewed the First Quarter Fee Reconciliation report with the Commission.

Banking Fees-Annual Review

Ms. Stevens presented the State of LA Deferred Compensation Bank Fees for the period March, 2013-February, 2014. There are two JP Morgan Chase accounts and one US Bank account. The JP Morgan Chase Disbursement account reflected bank charges of \$14,680.09 with a net charge of \$7,388.45 paid by Great-West to JP Morgan. The JP Morgan Contribution account reflected \$1,927.15 in fees with a net charge of \$353.63 paid by Great-West to JP Morgan. US Bank service charges were \$31,414.31 with a net charge of \$30,140.52 paid by Great-West to US Bank. Ms. Stevens will research how the charges were calculated and report back to the Commission.

1Q14 Louisiana Stable Value Review and Economic Review

Securities sold in the month of March included FHLMC 5 ½%, FNMA 3% and Louisville Gas & Electric 1 5/8%. Mr. Thornton forwarded the exception letter reporting any holdings that fell outside of the Investment Policy Statement to be added to the May report. Mr. Thornton presented the Economic Review and Outlook report to the Commission. The Federal Government's attempt to prevent deflation has been fairly successful. The GDP was heavily influenced by bad weather during this period in addition to inventory build-up. Inflation was "benign" at 1.09%. There was continued improvement in the housing and job markets. In summary, the domestic economic environment is stable. There were no major changes in regard to the composition of the Stable Value Fund. Performance continues to be "light years" above money markets or any similar type of instruments. The decreasing credit rate will continue until there is a substantial, sustained movement in interest rate.

Payroll Automation Update

Ms. Hunter contacted the remaining 13 non-compliant payrolls and made significant progress. An audit was performed of the payrolls that have submitted payroll automation paperwork but who are still not submitting electronically. There are 65 payrolls in this category. These agencies will be contacted including the hospitals and universities which represent some of the larger payrolls that are out-of-compliance. One exception to the rule is Capital Area Transit which is currently under investigation and as a result, is not allowed to submit anything electronically at this time. Ms. Hunter presented a draft of a letter to be sent to the 65 payroll departments who have submitted paperwork but are not submitting lists electronically. Mr. Kling motioned to instruct Ms. Hunter to revise and resubmit the letter to be reviewed for approval at the June, 2014 Commission Meeting.

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Mr. Riviere seconded the motion. There was no objection and the motion carried.

Loan Automation Update

Correspondence was sent to 353 payrolls in April of 2014 regarding the loan automation mandate effective July 1st. To date, 110 responses have been received. There has been vocal “push-back” from payrolls on this mandate for such reasons as, no payroll slots available, cost associated with upgrading software, deductions of any kind are not allowed and the premise that loans are personal and should not involve payroll departments. To be in compliance with the Plan Document, all loan payments must be submitted through payroll deduction. Participants wishing to secure a loan who are with agencies who choose not to automate remittance procedures, will be declined. Participants who are not allowed to request a loan will be referred to their individual payroll departments. Determining who may or may not take out loans will be a manual process to be conducted by the Baton Rouge office of Great-West.

ROTH 457 Update

Ms. Hunter reported that three rules (101, 505 and 701) related to ROTH 457 contributions were never promulgated into the Plan Document. The rules must be promulgated into the Plan Document prior to offering ROTH 457 to participants. The LA Register must receive the request by July 10th. One additional suggested revision to the Plan Document relates to Rule 721. If there is no separation from service, participants from a new employer acquired into the Plan have no way to roll assets into the LA Deferred Compensation Plan from contributions made to a 457 Plan under the same employer. Ms. Hunter further suggested that the language currently found in the Plan Document under loan remittances be revised to eliminate the words, “...have consented to make payroll deductions for this purpose.” The current language implies there is a choice of whether or not to comply which is not the case. Ms. Hunter will present a list to the Commission at the June, 2014 meeting of all other revisions in addition to the ROTH 457 rules that must be made to the Plan Document. The ROTH 457 will be offered in January of 2015 instead of July, 2014.

Marketing Report

Ms. Stevens reviewed the Marketing Report for the month of April, 2014. There were 147 new applications received during the month of April averaging \$3,478 per application. There were 167 increases and restarts in April at an average of \$7,559 per request. The majority of activity during the month of April came from the following agencies: DCFS, Madison Tallulah Ed Svcs Ctr, DOTD, LSU-Baton Rouge and LSU HSC-New Orleans. Ms. Stevens noted that the St John Parish Sheriff’s Office has become active in the Plan and that the St Tammany Parish Sheriff has instituted a match. Ron Nichols, Retiree Advocate, will be speaking in the Baton Rouge area on September 4-5, 2014.

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Louisiana House Bill 171: Ms. Hunter provided an update on the status of House Bill 171 by Representative Kevin Pearson. The effective date of this Bill is upon signature of the governor or lapse of time (August 1st). The Bill requires that school boards and governing authorities of charter schools offer LA Deferred Compensation as an option to their employees. The Commission suggested that Ms. Stevens proactively send a letter to the 66 school boards alerting them to this option prior to the Bill being passed. Ms. Hunter will review the letter for specific verbiage prior to release.

Other Business

Participant Member Vacancy: Mr. Searles resigned his position as Participant Member effective May 20, 2014. After 13.5 years with LASERS, Mr. Searles has accepted the position of CIO of the Parochial Retirement System effective June 9th. Mr. Searles thanked the Commission for the opportunity to serve alongside the members and stated that he was confident that the Plan is in good hands. Commission members congratulated Mr. Searles and wished him success in his new position. Ms. Hunter instructed the Commission on the procedures required to fill Mr. Searle's position. The Commission must select someone to serve until the next regularly scheduled annual election which is January, 2015. Ms. Stevens will contact potential candidates to determine if they would be interested in serving. The results of Ms. Stevens' research will be presented for review by the Commission during the June, 2014 meeting. Ms. Searles will remain in his position on the Commission until such time someone else is selected.

NAGDCA: The 2014 NAGDCA Conference registration deadline is August 14, 2014. Ms. Stevens asked Commission members interested in attending to commit by the July, 2014 meeting. The conference will be held in San Antonio, TX.

Adjournment

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 11:46 a.m.

Virginia Burton, Secretary