

MINUTES

Louisiana Deferred Compensation Commission Meeting

February 16, 2016

The Monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, February 16, 2016 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
Andrea Hubbard, Designee of the Commissioner of Administration
Whit Kling, Vice-Chairman, Participant Member
Len Riviere, Designee of Commissioner of Financial Institutions
Laney Sanders, Participant Member

Members Not in Attendance

Virginia Burton, Secretary, Participant Member
Lela Folse, Designee of the State Treasurer

Others Present

David Lindberg, Consultant, Wilshire Associates
Steve DiGirolamo, Consultant, Wilshire Associates
Andrea Bariant, State of Louisiana Attorney General's Office
Danette Rausch, Sr. Director of Partner Strategy, Denver, CO, Empower Retirement
Bill Thornton, Sr. Manager, Client Portfolio Services, Denver, CO, Empower Retirement, via conference call
Connie Stevens, State Director, Baton Rouge, Empower Retirement
Jo Ann Carrigan, Lead Office Coordinator, Baton Rouge, Empower Retirement

Call to Order

Chairman Bares called the meeting to order at 10:00 a.m.

Approval of Commission Meeting Minutes of January 12, 2016

The minutes of January 12, 2016 were reviewed. Mr. Kling motioned for acceptance of the minutes. Ms. Hubbard seconded the motion. The Commission unanimously approved the minutes.

Acceptance of Hardship Committee Reports of February 5, 2016

Mr. Kling motioned for acceptance of the Hardship Committee Reports of February 5, 2016. Mr. Riviere seconded the motion. The Commission unanimously approved the report.

Minutes
Louisiana Deferred Compensation Meeting
February 16, 2016
Page 2 of 5

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

Options for Streamlining Investment Lineup

Mr. Lindberg summarized discussions from the December 2015 and January 2016 Commission Meetings regarding reducing the number of funds in the platform from 18 to 4 actively and 3 passively managed funds, the Stable Value Fund and the Target Date Funds. The goal is to consolidate the options that currently exist into broad asset class funds that are branded and industry-known (with ticker symbols) with the intention of possibly moving to a white label fund platform in the future.

Mr. Lindberg and Ms. Stevens met with Ibbotson representatives and confirmed that the Ibbotson engine is able to accommodate the platform revisions presented by Wilshire. There are no changes required to the Wilshire recommendation. Ms. Stevens stated that consistent communication to participants regarding the change in platform will begin with a statement narrative to be included in the first quarter statement mailing, a quarterly newsletter and a webpage bulletin. The expected fund change date is the end of May/early June. The Commission voted in January, 2016 to accept Wilshire's recommendation.

Ms. Stevens stated that Self Directed Brokerage remains an option for participants who wish to continue with their investments. There is a \$60 annual fee plus transaction fees to participate in Self Directed Brokerage. Participants in Self Directed Brokerage will receive statements from TD Ameritrade as Empower Retirement is not the recordkeeper for Self Directive Brokerage accounts. This will be made clear to participants in the communication being developed as well as elaborating on the details to be included in the Plan Highlights brochure. Currently, .4% of participants are enrolled in the Self Directed Brokerage account and Mr. Lindberg does not anticipate this figure increasing in the future.

Investment Performance Review 4Q15

Mr. Lindberg presented the Fourth Quarter, 2015 Executive Summary of Investment Performance. The US Stock Market was up for the fourth quarter of 2015 by 6.36%. Large Capitalization stocks outperformed small cap stocks during the quarter while growth stocks trailed value. Sector performance was mostly positive except for Energy, which was down less than a half-percent. Global developed economy stock markets ended 2015 with moderate gains for the year. The Federal Reserve's decision on December 16th to raise the key federal-funds rate to a 0.25-.50% target range had little impact on Treasury markets. In general, 2015 was a flat year. Inflation remains very low. Looking forward, the expectation is for positive to moderate returns.

Minutes

Louisiana Deferred Compensation Meeting

February 16, 2016

Page 3 of 5

Administrator's Report

Plan Update as of January 31, 2016 was presented by Ms. Stevens. Assets as of January 31, 2016: \$1,422.64 Billion. Asset change YTD: -\$36.26 Million; Contributions YTD: \$7.38 Million. Distributions YTD: \$5.73 Million.

Unallocated Plan Asset Account Report – January, 2016: Ms. Stevens reviewed the UPA for January, 2016. Cash balance on hand as of December 31, 2015: \$2,607,408.58. Additions included interest for the month of January, participant recoveries, mutual fund fees and gains on contribution corrections. Distributions included Wilshire consulting fees. Cash balance on hand as of January 31, 2016 was \$3,031.168.10. The new funds being added to the platform will have no revenue sharing associated with them.

Case Reconciliation Report, 4Q15: Ms. Stevens presented the fourth quarter fee reconciliation report noting that the total revenue received by the Plan in the fourth quarter of 2015 was \$439,287.38. A deduction of the GWRS recordkeeping fees of \$435,684 left a net in-quarter amount due to the Plan of \$3,603.38. Eventually, once the revenue sharing fees are eliminated, there will be a deficit in the Plan which will require close monitoring. The total Great-West & Reality investing revenue totaled \$961,668.44 for 4Q15.

Plan Review, 4Q15: Ms. Stevens presented the fourth quarter Plan Review noting that the Plan ended with \$1,456.31 Million in assets. In 2015, contributions brought in \$101.80 Million. Distributions totaled \$97.32 Million leaving a net investment gain of \$16.58 Million. There were 37,910 participants in the Plan by year-end 2015 as compared to 37,599 in 2014. The average account balance was \$38,414.99. Ms. Stevens pointed out that there are a large number of participants invested in funds that will be mapped to the new investment platform. There was a 6.4% gain in contributions in 2015 over 2014. The annual participant contribution to the Plan in 2015 was \$4,725.23 reflecting a steady rise in contributions. There were 5,975 distributions in 2015 as compared to 6,137 in 2014. Significant increases in website security resulted in a large number of participants contacting Key Talk for passcode assistance (4,250 in 2015 as compared to 979 in 2014). Effective February 2, 2016, Reality Investing Advisory Services is changing its name to Empower Retirement Advisory Services. There will be no difference in the fees or agreements. Ibbotson Associates, Inc and Morningstar Associates, LLC were renamed to Morningstar Investment Management LLC effective January 1, 2016.

Minutes
Louisiana Deferred Compensation Meeting
February 16, 2016
Page 4 of 5

The number of participants in Managed Accounts was 7,328 representing primarily, new/low balance accounts. The largest age group participating in Managed Accounts is from 30-39 years old.

Custom Stable Value Review, 4Q15

Mr. Thornton introduced two new investment team members: Jack Brown, Investment Advisor and second in command to Cathe Tocher, CFA and Daniel Gargan, Client Portfolio Manager. Mr. Thornton presented the Economic Review and Portfolio Performance for the fourth quarter of 2015. Overall, it has been a “tough” year with significant market volatility, a byproduct of a sluggish global economy.

Stable Value Fixed Income Fund – Quarterly Statement: Mr. Thornton noted that there was very little change from one quarter to the next. Performance has remained consistent at 2.54%. The annualized performance has remained steady over the past two years. There were no changes in the quarterly credit memo. The investment manager believes the following securities should continue to be held:

- Lehman Brothers Unsecured Notes, purchased November 2005
- Western Union Senior Notes
- Becton Dickinson & Co. Senior Notes

Marketing Report

Marketing Update – January, 2016: Ms. Stevens reviewed the Marketing Report for the month of January, 2016. There were 149 new applications, averaging \$3,671 per application and 191 increases/restarts averaging of \$7,565 per application. The majority of activity in January came from the following agencies: West Carroll Parish Ambulance Service Department (a new agency), House of Representatives, DOTD, LA State Penitentiary and the Lafayette Clerk of Court. In an effort to provide the most accurate participant-activity information, Ms. Stevens advised the Commission that future marketing reports will be submitted quarterly using an automated reporting feature.

Active Choice: Ms. Stevens stated that an Active Choice option is an opportunity to increase the number of employees in the Plan. A flyer is being developed that provides two options for the employee: “Yes, I want to enroll” and “No, I do not wish to enroll at this time.”

Minutes

Louisiana Deferred Compensation Meeting

February 16, 2016

Page 5 of 5

Other Business

Participant Member Election Update: Ms. Stevens announced that there will be an election in June of this year for the Participant Member seat currently held by Mr. Kling. Eric Torres has submitted a petition to run for the seat against Mr. Kling who was nominated by the Committee. The deadline for petitions is February 19th.

Tax ID Reporting Follow Up: Heinz Macaluso, LLC had no issue with changing the tax reporting ID to the Empower Retirement Tax ID for the Plan. All of the following entities and/or documents were also contacted/reviewed prior to changing the Tax ID: Attorney General's Office, the Plan Document, The Plan auditor, the financial auditor and the Dept of Revenue.

Microsoft Internet Explorer: Microsoft is no longer supporting any versions of Internet Explorer that is less than version 11.0 Payrolls will be contacted in the near future requesting that they upgrade to at least Internet Explorer 11.0. Ms. Rausch has been tracking Plan Service Center activity and has determined that only 490 payrolls company-wide will need to upgrade. Security is the issue driving this task.

Adjournment

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 11:21 a.m.

Virginia Burton, Secretary