MINUTES

Louisiana Deferred Compensation Commission Meeting
February 19, 2013

The Monthly Meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, February 19, 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
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

Members Absent
Lela Folse, Designee of the State Treasurer

Others Present
Felicia Bennett, Consultant, Wilshire Associates, Inc. *By Conference Call*
Marilyn Collister, Sr. Legislative & Regulatory Affairs Director, Denver GWF, *By Conference Call*
Al Cunningham, Director, Advised Assets Group, Denver GWF, *By Conference Call*
Travis Englert, Sr. Plan Services Account Manager-PNP, Denver GWF, *By Conference Call*
Danette Rausch, Director, Plan Services, Denver, CO GWF, *By Conference Call*
Lindsey Hunter, Louisiana Attorney General's Office
Theresa Myers, Vice President, PNP Client Relations, Denver GWF
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 10:04 a.m.

Approval of Commission Meeting Minutes of January 15, 2013

The minutes of January 15, 2013 were reviewed. Mr. Riviere motioned for acceptance of the minutes. Ms. Burton seconded the motion. The Commission unanimously approved the minutes.

Acceptance of Hardship Committee Report of February 1, 2013

Mr. Kling motioned for acceptance of the Hardship Committee Report February 1, 2013. Ms. Hubbard seconded the motion. The Commission unanimously approved the report.

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

Strategic Partnership Plan 2013

Ms. Stevens reviewed the 2013 Strategic Partnership Plan with the Commission. The report addressed the 2012 Program Milestones, Best Practices and Industry Trends, the Annual Plan Review, and the Four Dimensions, including Participation, Asset Allocation, Education and Retiree Outreach. Ms. Stevens reviewed education and communication seminars/campaigns available through Great-West Financial.

Administrator's Report

Plan Summary as of January 31, 2013 was presented by Ms. Stevens. Assets as of January 31, 2013: $1.238.08 Billion. Asset change YTD: $27.30 Million. Contributions YTD: $8.74 Million. Distributions YTD: $7.57 Million. Net Investment gain YTD: $26.13 Million. Ms. Stevens pointed out that, historically, distributions increase at the first of each year.

Participation by Asset Class and Investment Option January, 2013 report was reviewed by Ms. Stevens. The top four categories in order by asset size were: 1) Stable Value at 48.74% (down from 50% due primarily to market growth; 2) Large Cap; 3) International; 4) Target Date Funds. Ms. Stevens presented the "Periodic Table of Investment Returns" stressing the importance of asset allocation when investing in the market.

Plan Review as of December 31, 2012 was presented by Ms. Stevens. Assets as of the 4th quarter: $1.207 Billion. The Plan grew in 2012 by 11% or $118 Million--mostly in investment gain. Contributions: $100 Million; Distributions: $87 Million. The Plan continues to grow in assets since 2004. The average account balance has almost doubled over the past eight years. The number of participants has declined over the past three years. The Fixed Fund rates have continued to decrease over time. Mr. Kling commented on the increase in "Purchase of Service" distributions in 2012—nearly double the 2011 totals. In summary, there was tremendous investment growth in 2012 with many double-digit returns.

Unallocated Plan Assets: Ms. Stevens presented UPA Account activity for January, 2012. Beginning balance: $3.02 Million; Ending balance as of January 31, 2013 was $3.683 Million. Total deposits in January included investment revenue and participant fees totaling $678,685. The deductions included the Capital City Press (newspaper fee related to posting news of the contract renewal) and Wilshire fees.

Revenue Reconciliation Report 4Q12: Ms. Stevens reviewed the Revenue Reconciliation Report for 4Q12. Total deposits from investment revenue and participant fees: $678,685. Great-West Financial was paid recordkeeping fees of $601,969.50 for a total of 36,483 participants.

Automation of Payrolls Update: Ms. Stevens reported that some progress is being made in converting non-automated payrolls to automated payrolls. There are currently 216 non-automated payrolls. All non-automated payrolls will receive a memo from the Commission (signed by Mr. Bares) instructing them to convert to automated payroll procedures by year-end. A flyer has been developed to accompany the memo along with instructions on how to convert payrolls to automation. Ms. Rausch noted that instructional webinars are available to payroll personnel to assist in the conversion process. Ms. Myers pointed out that automation of payrolls is just one example of Great-West's streamlining of all processes. In the near future, hard copy participant files currently stored in the Baton Rouge office will be converted to electronic files.

Custom Stable Value Review: Mr. Cunningham reviewed the State of LA Stable Value Fixed Income Fund for the 4th quarter of 2012. The review included highlights, book-to-market values, duration and yield. Mr. Cunningham noted that the Western Union Security was downgraded to BBB+ by S&P and Fitch. It was downgraded to Baa1 by Moody. The security remains investment grade and in compliance with the Investment Policy Statement.

Reality Investing Statistics: The Reality Investing report was placed on the agenda at the request of Commission member, Troy Searles. Ms. Myers reviewed the past eight years of growth in participants enrolled in Target Date Funds as compared to participants enrolled in Managed Accounts. Ms. Stevens explained that the Managed Accounts program is presented to new and existing participants as a service. There is no marketing activity to promote conversion into Managed Accounts. Great-West representatives do not target participants with large balances to encourage Managed Account participation. Ms. Burton inquired as to why Great-West does not market Managed Accounts as this service is of value to participants. Ms. Stevens shared that the approach taken with participants is a balanced one in which Managed Accounts and Target Dates are mentioned as viable plans for long-term investments. Ms. Myers pointed out that Great-West focuses on the overall options in the Plan using "behavioral based" financial concepts to align the type of participant to the type of investment option that best meets their needs. Great-West representatives are trained not to push one service over another but rather educate on the options available. Mr. Searles stated that he wanted to make sure that the Managed Account program is presented in a fair and balanced manner so that participants may select the service that is best for them. Great-West is paid 50 basis points per participant for Managed Accounts within the LA Deferred Comp Plan. Mr. Bares asked Mr. Searles if he got what he needed from the discussion. Mr. Searles responded affirmatively.

Executive Summary of Investment Performance

Ms. Bennett reviewed the 4th quarter executive summary of investment performance. She noted that 2012 was a very strong performance year across the markets, and reviewed the returns of: US Capital Equity Markets, Non-US Capital Equity Markets, Fixed Income, Stable Value, Target Date Funds, and Real Estate. Ms. Bennett reviewed the two fee structure changes presented at the December 2012 Commission Retreat. The fee structure changes included reducing fee charges per participant and to change the share classes on seven different mutual funds to bring them to the lowest available share classes in the market thus taking away some of the revenue that was being generated. Six basis points of revenue were taken from Stable Value effective January 1, 2013. The Janus Twenty Fund has been closed to new investors for some time and as a result, and an institutional (I) Class is not available to the Plan. Oppenheimer Developing Market Y has an I Class which would take the expense ratio down from 1% to 89 basis points and reduce the amount of revenue rebates coming back to the Plan by about $75,000. Ms. Bennett recommended that the Commission move to the Oppenheimer Developing Market I Class from the Y Class that is currently in the Plan in lieu of the Janus Twenty Fund. The deadline to announce this change is February 28, 2013 and will be included in the statement narratives that will be in participant hands by April 22nd. If approved by the Commission, the share classes would move around May 22nd. Mr. Kling motioned that the recommendation be accepted. Mr. Riviere seconded the motion. There was no objection and the motion carried.

Marketing Report

There were 123 new applications received during the month of January averaging $4,972 per application. There were 289 increases and restarts at an average of $12,584 per request. New enrollments came primarily from St. Tammany Parish Assessor, LSU Medical Center (New Orleans), DHH-Aging and Adult Services, City of Slidell, Hunt Correctional Center and DCFS. In a previous meeting, Laura Whitlock of Great-West Financial introduced the marketing concept of preparing a testimonial video for the Plan.

Progress has been made in the development of the video and it is now time for the Commission to vote to implement this marketing tool. (Ms. Stevens has been collecting names of participants who might volunteer to participate in the video based on their vocal support of the Plan over the years.) Ms. Burton motioned to approve the development of the testimonial video. Mr. Kling seconded the motion. There was no objection and the motion carried.

Roth 457 Implementation

Ms. Collister reviewed implementation of the Roth 457, in-service conversions and loans, as they apply to the Roth 457. The Commission has already amended the Plan Document to accommodate Roth contributions. The next step is to complete the Roth Election Form. Ms. Hubbard, representing State Payroll, had several questions regarding implementation which would be addressed in a meeting between State Payroll and Great-West Financial to occur prior to the March 19, 2013 Commission Meeting. Ms. Collister pointed out that the Roth 457 can be implemented on a contributory basis, but that there are still many questions to be addressed by the IRS before the Roth 457 in-service conversions can be implemented. Ms. Stevens pointed out that the Plan Document must be amended to include the issue of in-service conversion. Ms. Hunter noted that it takes 90 days to amend the Plan Document. The Commission determined to revisit this topic at the next Commission Meeting (March 19, 2013).

Other Business

Mr. Bares reported to the Commission that it has been two years since the last site visit. Scheduling a site visit in 2013 (possibly April or May) will be placed on the March 19, 2013 agenda.

Adjournment

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 12:03 p.m.

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Virginia Burton, Secretary