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Louisiana Deferred Compensation Commission Meeting January 20, 2015

The Monthly Meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, January 20, 2015 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
Lela Folse, Designee of the State Treasurer
Andrea Hubbard, Designee of the Commissioner of Administration
Whit Kling, Vice-Chairman, Participant Member
Susan Pappan, Participant Member
Len Riviere, Designee of Commissioner of Financial Institutions

Others Present

Rick McGimsey, Louisiana Attorney General's Office
Connie Stevens, Client Relationship 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 December 16, 2014

The minutes of December 16, 2014 were reviewed. Mr. Kling motioned for acceptance of the minutes. Mr. Riviere seconded the motion. The Commission unanimously approved the minutes.

Acceptance of Hardship Committee Report of January 9, 2015

Ms. Burton motioned for acceptance of the Hardship Committee Report of January 9, 2015. Mr. Kling seconded the motion. The Commission unanimously approved the report.

Public Comments: No member of the public was in attendance.

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Administrator's Report

Plan Summary as of December 31, 2014 was presented by Ms. Stevens. Assets as of December 31, 2014: \$1.437 Billion. Asset change YTD: \$71.07,Million, Contributions YTD: \$95.67 Million. Distributions YTD: \$97.58 Million. The Net Investment gain YTD was: \$72.98 Million. Ms. Stevens ran an analysis of distributions and reported that distributions first surpassed contributions in December, 2013. Hospitals began closing in April of 2013. Distributions during the period of May 15, 2013 through November, 2014 totaled \$155 Million with \$72 Million of the distributions being rolled out of the Plan to another Plan or IRA. January is always a “heavy” distribution month because of the new tax year but it is anticipated that distributions as a result of hospital closures will lessen as time goes by.

Asset Summary by Investment Option was reported by Ms. Stevens noting at 43.9% of all moneys is in the Stable Value Fund. Assets in the Life Path Index Funds continue to grow. The 2060 Fund will be added in February along with the fund change previously approved.

5-Year Contribution/Distribution Analysis was presented by Ms. Stevens. Contributions have flattened out while distributions have increased over a five year period.

Enhanced Retirement Roll-In Services, a service enhancement designed to encourage participants to keep their money in the Plan after retirement or severance of employment was revisited by Ms. Stevens. Transactions within this service are handled on a recorded line and electronically – no paperwork. There is no additional cost to the Plan for this service. Ms. Stevens stated that participants would receive two written confirmations via the US Postal Service of incoming transfer transactions: (1) Allocations chosen for the incoming transfer money; (2) Money has been received into the account. Ms. Stevens confirmed that in the case of a change in record keeper, as stated in the current contract, electronic records would be available to the Commission within a 72 hour notice for inspection and audit. Record requests would be provided in the form of electronic media in standard format within 30 days of receipt of the request. It was determined that no additional motion was needed to amend the contract approving the use of the Enhanced Retirement Roll-In Service as this was approved by the Commission at December, 2014 subject to the Attorney General's approval. Mr. McGimsey confirmed the action approved by the Commission. Mr. Bares will sign the amendment to the contract.

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City of Ruston: Ms. Stevens mentioned that the City of Ruston has expressed a desire to join the LA Deferred Compensation Plan. There are eight, current life insurance participants within the Nationwide existing plan of the City of Ruston. The Plan's goal is to gradually eliminate insurance policies as they are from the 1980's. Current policy is to annually contact terminated participants with life insurance policies instructing them to assume ownership or cash-in their policies. The Plan has approximately 120 current participants with life insurance policies.

Unallocated Plan Account Review-December, 2014: Ms. Stevens reviewed the Unallocated Plan Asset Report for the month of December, 2014. The cash balance on hand as of November 30, 2014 was \$3.638 Million. Additions to the account included interest for the month of November. The closing balance as of December 31, 2014 was \$2.484 Million. A total of \$1.2 Million was distributed back to participants as a return of fees paid during the first, second and third quarters of 2014. The refund was initially recorded on participant files as a "contribution" but Ms. Stevens corrected the notation to be reflect "expense adjustment." This action was taken to maintain the UPA at a "stay even" rate. With this goal in mind, Wilshire is instructed to evaluate the UPA balance each year.

Roth 457b Contributions to the Plan began in January, 2015 with the assurance from the home office of Empower Retirement that procedures were in place to receive the Roth money type into participant accounts. Currently, Roth 457b contributions to the Plan must be manually input by State Payroll due to systems errors on the part of Empower Retirement. State Payroll is working with Empower Retirement to help resolve any systems issues. Further, Empower Retirement programming personnel have begun reviewing/evaluating the LA Deferred Compensation "customized" payroll file in its entirety to enhance efficiencies/streamline procedures. Ms. Stevens reported that statistically, approximately 5% of Governmental 457b participants ever take advantage of the Roth provision.

Marketing Report

Ms. Stevens reviewed the Marketing Report for the month of December, 2014. There were 180 new applications, averaging \$3,093 per application and 409 increases and restarts, averaging of \$14,248 per application. The majority of activity in December came from the following agencies: Ouachita Parish Sheriff, St John Parish Sheriff's Office, St Charles Parish Sheriff's Office, LSU-HSC New Orleans and LSU-Baton Rouge. The total number of RPC group meetings in 2014 was 1,347 which exceeded the goal of 1,300. Ms. Stevens shared a draft of the 4th Quarter "Key Notes" which reflected LA themes and colors as noted at the December, 2014 Commission Meeting. Sarah Flanagan Silcott, Communications Consultant, Empower Retirement will attend the February,

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2015 Commission meeting. The name change to Empower Retirement is also noted in the newsletter to be released with the 4th quarter statements to participants.

Other Business

Nominating Committee Update: Ms. Stevens reported that the Nominating Committee will meet on Friday, January 23, 2015. The Committee consists of Ken DeJean, Carl Berthelot and Kent LaPlace. Ms. Burton is up for re-election for her three-year term and the two-year term for the remainder of Troy Searle's position is also on the ballot.

February Meeting Date Change: The February Commission meeting will be held on February 24th instead of the third Tuesday of the month (February 17th) due to the Mardi Gras holiday.

File Maintenance Cost: The process of removing hard copy files has begun. The bins provided by Iron Mountain are filling up more quickly than originally thought. As a result, the potential is that shredding service costs might exceed the \$500 initially approved by the Commission to complete the project. Mr. Kling motioned that the Commission authorize Mr. Bares to make any additional cost authorization for file elimination services. Ms. Burton seconded the motion. The Commission unanimously approved the motion.

Adjournment

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 10:35 a.m.

Virginia Burton, Secretary