

MINUTES

Louisiana Deferred Compensation Commission Meeting

July 19, 2016

The Monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, July 19, 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
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
Doug Buras, Co-Designee of Commissioner of Financial Institutions
Laney Sanders, Participant Member
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Others Present

Emily Andrews, State of Louisiana Attorney General's Office
Steve DiGirolamo, Consultant, Wilshire Associates *by conference call*
Connie Stevens, State Director, Baton Rouge, Empower Retirement
Jo Ann Carrigan, Lead Office Coordinator, Baton Rouge, Empower Retirement
Jeff Robert, Captain, Ascension Parish Sheriff's Office

Call to Order

Chairman Bares called the meeting to order at 9:59 a.m.

Swearing in Ceremony

Mr. Kling was sworn in by Ms. Andrews as Participant Member on the Louisiana Deferred Compensation Commission. Mr. Kling was reelected in June of 2016.

Election of Commission Officers

Ms. Stevens distributed written ballots to Commission members for the selection of Commission officers. The results of the election were as follows:

- Mr. Bares, Chairman
- Mr. Kling, Vice Chairman
- Ms. Burton, Secretary

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Committee Appointments

Evaluation Committee: Mr. Buras motioned to reappoint existing Evaluation Committee members to serve this next term. Ms. Sanders seconded the motion. The Commission unanimously approved the reappointment of Ms. Burton, Mr. Kling and Mr. Riviere to serve on the Evaluation Committee.

Hardship Committee: Mr. Bares reported that Kent LaPlace and Tinka McFarland have agreed to continue to serve on the Hardship Committee. Ms. Susan Pappan resigned from the Committee in June, 2016. Ms. Stevens has contacted individuals who may be interested in serving but to date, no one has committed to the position. Mr. Kling suggested that Eric Torres be contacted. Captain Robert agreed to attend an upcoming Hardship Committee meeting to decide whether or not he would be interested in serving on the committee. The August Hardship Committee can meet with just two members in attendance. The Commission will readdress Hardship Committee membership at the August, 2016 meeting.

Approval of Commission Meeting Minutes of June 21, 2016

The minutes of June 21, 2016 were reviewed. Mr. Kling motioned for acceptance of the minutes. Ms. Sanders seconded the motion. The Commission unanimously approved the minutes.

Public Comments: Captain Jeffrey J. Robert was in attendance.

Acceptance of Hardship Committee Reports of July 1, 2016

Mr. Kling motioned for acceptance of the Hardship Committee Report of July 1, 2016. Ms. Burton seconded the motion. The Commission unanimously approved the report.

Administrator's Report

Plan Update as of June 30, 2016 was presented by Ms. Stevens. Assets as of June 30, 2016: \$1,478.48 Billion. Asset change YTD: \$19.58 Million; Contributions YTD: \$47.54 Million. Distributions YTD: \$60.12 Million. The Net Investment gain YTD: \$32.16 Million. Ms. Stevens reported that the Livingston Parish Sheriff's Office has left the Plan and the St Tammany Parish Fire District-Number One is in the process of leaving the Plan. AXA, a competitor, is aggressively pursuing political subdivisions and promising increased service including 18-20 appointed representatives. AXA is also

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promising no fees for their services even though, the fees are built into the cost (inherent fees). Another factor in agencies leaving the Plan is the Fund Change that took place in June, 2016. Ms. Stevens will provide numbers of participants leaving the Plan at the August Commission Meeting.

Ms. Stevens presented the Asset Summary by Investment Option report as June 30, 2016 noting a slight increase in participants in the Self Directed Brokerage account since April, 2016 (369 vs. 338).

Insurance policies with the Plan are being reviewed. Insurance participants in the database with a term date are being contacted to change ownership of the policy to themselves for the purpose of removing them from Plan records. There are approximately twenty records on file with no contact information available. Participant accounts that cannot be resolved will be sent to Unclaimed Properties. Ms. Stevens will provide specific data on the number of “old” insurance accounts on record at the August, 2016 meeting. Mr. Kling confirmed that 1978 was the last year that insurance policies were sold. Ms. Stevens pointed out that often, the death benefit value is greater than the cash value of the policy and cannot be cashed in by the Plan.

Unallocated Plan Asset Account Report – June, 2016: Ms. Stevens reviewed the UPA for June, 2016. Cash balance on hand as of May 31, 2016: \$2,596,739.56. Ending balance as of June 30, 2016: \$2,601,896.70.

Access to Minutes on Participant Website: At Mr. Kling’s request, a link to the Boards and Commissions website has been added to the LADCP participant website for easy access to the Commission minutes and meeting announcements.

Division of Administration – Letters to Secretaries: Ms. Stevens met with representatives from the Division of Administration during the week of June 13, 2016. Those in attendance were Jay Dardenne, Andrea Hubbard, Desiree Honore, Barbara Goodson and Rick McGimsey. Mr. Dardenne agreed to sign a letter and send it to the agency secretaries and from there, the secretaries will send a letter to their employees regarding the LA Deferred Compensation program. Drafts of both letters were reviewed. Ms. Stevens reported that the Active Choice flyer is being used at New Hire Meetings and it is proving to be successful in enrolling participants as they begin their affiliation with the State instead of delaying enrollment.

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Ms. Stevens stated that she and Mr. Riviere have been in discussions related to compliance with state law and contractual requirements of the RPC's role in advising participants. There will be no change in RPC compensation and therefore, no violation of State law or contractual terms. RPC's attended training in new web tools for participant use in making decisions related to how to invest and how much to save. The Empower Retirement motto is: Help our participants reliably replace in retirement – for life – the income they earned while working. These tools better prepare a participant for a successful retirement.

Preliminary Performance Review 2Q16

Mr. DiGirolamo presented the State of LA Deferred Compensation Investment Performance Flash Report of June 30, 2016. The full Executive Summary will be available the first week of August. The US stock market was up for the second quarter of 2016 by 2.8%. The big news during the quarter, was the Brexit vote with the United Kingdom deciding to withdraw from the European Union. The initial reaction from the markets was not surprising; equity prices fell while bond prices rose. However, all losses that the market suffered were more than compensated three days later and/or by the end of quarter. Overall, the 2nd quarter was “good news” for the US economy. Mr. DiGirolamo reviewed investment performance of the Plan portfolio noting strong performance for the quarter. The Principal Diversified Real Assets fund lists a 25.6% total fund operating expense. Principal was contacted regarding this fee and reported that this is a newly offered mutual fund, R6 share class that has no revenue share. Per Principal, there are not a lot of assets in this fund. There is an annual vote by the Mutual Fund Board to waive the fee. The Mutual Fund Board can only waive the fee for to up to one year but they vote to waive the fee every year until the share class gets enough assets in it that the fee will go away. The vote to waive the fee will take place in November of this year for 2017.

Other Business

Statements: Ms. Stevens reported that the 2nd quarter statements have been mailed and there has been no spike in phone calls related to the fund change that occurred in early June.

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Swearing in of Mr. Kling

Ms. Andrews requested and received permission to “re-do” the swearing in of Mr. Kling as the re-elected Participant Member to include all of the specific wording and protocol as prescribed by the Attorney General’s office. This was completed.

Adjournment

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 10:51 a.m.

Virginia Burton, Secretary