

# **MINUTES**

## **Louisiana Deferred Compensation Commission Meeting**

**May 12, 2015**

The Monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, May 12, 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  
Susan Pappan, Participant Member  
Len Riviere, Designee of Commissioner of Financial Institutions

### **Members Absent**

Whit Kling, Vice-Chairman, Participant Member

### **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 10:04 a.m.

### **Approval of Commission Meeting Minutes of April 21, 2015**

The minutes of April 21, 2015 were reviewed. Mr. Riviere motioned for acceptance of the minutes. Ms. Burton seconded the motion. The Commission unanimously approved the minutes.

Mr. McGimsey brought to the attention of the Commission that the last name of the guest he brought with him to the April 21, 2015 meeting is Barient instead of Barry, as it was printed in the minutes. Mr. McGimsey did not feel that correction required an amendment to the minutes.

### **Acceptance of Hardship Committee Report of May 8, 2015**

Ms. Hubbard motioned for acceptance of the Hardship Committee Report of May 8, 2015. Mr. Riviere seconded the motion. The Commission unanimously approved the report.

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

**Administrator's Report**

**Plan Update** as of April 30, 2015 was presented by Ms. Stevens. Assets as of April 30, 2015: \$1,469.99 Billion. Asset change YTD: \$32.26 Million, Contributions YTD: \$32.14 Million. Distributions YTD: \$32.42 Million. The Net Investment gain YTD was: \$32.54 Million (primarily as a result of investment gain).

**Payroll-PSC Usage Update:** A list of 25 political subdivision payroll departments that have completed Plan Service Center paperwork but continue to send paper-copy deferral lists was reviewed by the Commission. Instead of sending a letter from the Commission, it was decided that Ms. Stevens' staff will personally reach out individually to the non-compliant payrolls for the purpose reminding them of the mandate. A letter from the Commission may be needed in the future if the issue persists.

**Removal of Hard Copy Files from Plan Administrator's Office Update:** Ms. Stevens reported that critical information, i.e., beneficiary, hardship, QDRO's, has been gleaned from the hard copy files in the office and all remaining documents/files have been shredded by Iron Mountain. The empty file cabinets will be removed from the office as soon as possible which will make moving to a new location more efficient should that occur at year-end. Ms. Stevens noted that research is being conducted on office space that will remain accessible to participants and staff members. The ideal location would be on Bluebonnet—visible from the Interstate. Any change of office location will be announced to participants in advance via newsletter, webpage and statements. The current lease is valid through December 31, 2015 but can be renewed should no alternative location be found.

**Plan Review for the Period of April 1, 2014 to March 31, 2015** was presented by Ms. Stevens. The Executive Summary (in millions) for the period of March 31, 2014 through March 31, 2015 reflected assets of \$1.458 Billion vs. \$1.278 Billion in 2014. Contributions during the same period were \$96.44 Million with \$97.41 Million distributions. The Net Investment Gain was \$180.56. There were 37,599 participants in the Plan during this period with an average account balance of \$38,172. The largest holding in the Plan is in Stable Value. Ms. Stevens reported that since the school board legislation passed in 2014, enrollments into the Plan from this group of employees have not been significant. Ms. Stevens has reviewed this information with Representative Pearson.

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Approximately 9% of the Plan is in Target Date Funds. The Fixed Fund Rate is currently at 2.55%. Contributions between 2013 and 2014 were down almost 6%. Outstanding loan balances for this period was \$20.12 Million with 3,477 participants with loans. KeyTalk activity was primarily related account balances, loan information, confirmation of paycheck contributions and pass code revisions. Ms. Stevens reported that Empower-Retirement continues to grow in the record keeping marketplace surpassing 2 million participants with the addition of some very large Plans within the last few months.

**Callan Periodic Table of Investments** was reviewed by Ms. Stevens. The table is based on a study of various asset classes and their returns on an annual basis. Trends noted support the need for asset allocation.

**1Q15 Case Reconciliation** reflects the result of restructuring participant fees. The minimum participant fee is \$2.50 with a maximum fee of \$90 depending on the balance in each account. The difference in the fee structure is reflected in the amount of fees collected in 1Q15 (\$355,429.37) and the fees collected in 4Q14 (\$396,422.92). The revenue sharing increased slightly but these are market-driven so there is very little that can be done to control this figure other than Wilshire making changes to the fund line-up as they did earlier this year. The total in-quarter net amount due to the UPA in the first quarter is \$56,889.15 as opposed to \$95,559.16 in the final quarter of 2014. David Lindberg of Wilshire is scheduled to attend the June 16, 2015 Commission Meeting for further review of the Plan revenue.

**Unallocated Plan Account Review – March, 2015:** Cash balance on hand as of March 31, 2015 was \$2.564 Million. Activity for the month of April included additions of contribution corrections, participant recoveries, mutual fund fees and interest. There were no deductions for the month of April. The balance as of April 30, 2015 was \$3.056 Million. The record keeping fee will be assessed in late May which will affect the current balance. Ms. Stevens provided a bar chart tracking values for the purpose of visualizing progress being made in reducing the UPA.

**1Q15 Economic Review**

Mr. Thornton presented the Economic Review and Outlook report as of March 31, 2015. Rates will continue to remain low with very little change in the factors contributing to the figure. There is real growth potential. Foreign investment flows into the US, the US dollar strength and loss/declining inflation will keep downward pressure on interest rates. Federal policy decisions are expected later this year.

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**1Q15 Custom Stable Value Review**

Mr. Thornton presented the Stable Value Fixed Income Fund 1Q15 report. There were no significant changes from the last quarter report. The 1Q15 rate was 2.55% as opposed to the 4Q14 rate of 2.50%. The exception letter included one addition to the existing exceptions (Lehman Brothers Unsecured Notes, Western Union Senior Notes and France Telecom Senior Notes). Becton Dickinson & Co Senior Notes was added to the exception report as it has been officially downgraded by Moody's to Baa2. The Portfolio Manager recommends that the Plan continue to hold the security as the recent downgrade can be attributed to increased leverage associated with the acquisition of CareFusion. Management is committed to reducing leverage back to historic levels within the next 24 months. Ms. Burton motioned to accept the Portfolio Manager's recommendation to continue to hold the Becton Dickinson security. Ms. Pappan seconded the motion. The Commission unanimously approved the motion. For historical purposes, Western Union was added to the exception report on November 18, 2013, France Telecom/Orange was added on January 14, 2014 and Lehman Brothers filed bankruptcy in September, 2008.

**Wilshire Request for Information**

Wilshire issued a Request for Information (RFI) two weeks ago. The response from Empower was sent on Friday, May 8, 2015. The request is similar to an RFP and is part of the routine evaluation that Wilshire completes every other year for Empower Retirement. Mr. Lindberg noted that the evaluation findings will determine whether or not a site visit will be required. If a site visit is required, the Commission will make arrangements to participate in the visit at the same time. Ms. Stevens will provide an electronic copy of the request to each Commission member for review.

**Marketing Report**

Ms. Stevens reviewed the Marketing Report for the month of April, 2015. There were 139 new applications, averaging \$2,560 per application and 126 increases/restarts, averaging of \$7,690 per application. The majority of activity in April came from the following agencies: DCFS-Office of Child/Family Services, DHH-Medical Vendor Admin, LSU-Baton Rouge, DOC-Adult Probation & Parole and Calcasieu Parish Sheriff. Ms. Stevens presented a report that tracked website calculator usage – globally (all Plans offered by Empower) over a 3-month period of time. Usage was minimal on some of the existing calculators offered. The website is being revamped to include calculators that are of greater value to participants.

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**Other Business**

**Heinz & Macaluso Audit:** Ms. Stevens will follow up with the Heinz & Macaluso auditing firm to determine when the audit report will be made available to the Plan. All reporting information has been provided to the audit team for review.

**NAGDCA-2015:** The NAGDCA Conference is scheduled for September 27-30, 2015 and will be held in Indianapolis, IN. Registration for the conference is now open.

**Adjournment**

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 11:03 a.m.

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Virginia Burton, Secretary