

# MINUTES

## Louisiana Deferred Compensation Commission Meeting

December 15, 2015

The Monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, December 15, 2015 at the Renaissance Hotel, 7000 Bluebonnet Blvd., Baton Rouge, Louisiana 70810.

### **Members Present**

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  
Len Riviere, Designee of Commissioner of Financial Institutions  
Laney Sanders, Participant Member

### **Members Not in Attendance**

Emery Bares, Chairman, Designee of the Commissioner of Insurance

### **Others Present**

Steven Caruthers, Equity Investment Specialist, American Funds, New York, NY  
Michael Consorte, Senior Investment Relationship Specialist, American Funds, Los Angeles, CA  
David Lindberg, Consultant, Wilshire Associates  
Steve DiGirolamo, Consultant, Wilshire Associates  
Andrea Bariant, State of Louisiana Attorney General's Office  
Michael Vallan, State of Louisiana Attorney General's Office  
Perry Christie, VP DCIO Sales, Empower Retirement, Denver, CO  
Jay Griebing, Client Services Manager, Empower Retirement, Denver, CO  
Amy Heyel, VP Government Mkts Client Relations, Empower Retirement, Denver, CO  
Melanie Howard, Communications Lead, Empower Retirement, Denver, CO  
Connie Stevens, Client Relationship Director, Empower Retirement, Baton Rouge, LA  
David Arriaza, Key RPC, Empower Retirement, New Orleans, LA  
Beau Bordelon, RPC, Empower Retirement, Northern LA  
Tim Jolly, RPC, Empower Retirement, Central LA  
Kris Neel, RPC, Empower Retirement, Baton Rouge, LA  
Wayne Veal, RPC, Empower Retirement, Lafayette, LA  
Reggie Wheeler, RPC, Empower Retirement, Baton Rouge, LA  
Jo Ann Carrigan, Lead Office Coordinator, Empower Retirement, Baton Rouge, LA

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Ms. Stevens began the meeting by welcoming attendees to the LA Deferred Compensation Annual Retreat.

#### **Investing with a Long Term Focus**

Ms. Stevens introduced guest speakers, Michael Consorte, Senior Institutional Relationship Specialist and Steven Caruthers, Equity Investment Specialist of American Funds. Mr. Consorte presented information related to assisting participants in understanding market volatility and preparing for retirement. Mr. Consorte stated that the best way to describe the role of the Commission, Empower Retirement, Wilshire and American Funds is to help people to help people to retire with dignity.

#### **Introductions**

Ms. Stevens introduced the attendees at the meeting. An organization chart was presented highlighting the Empower Retirement Executive, Field, Operational and Communications staff. Ms. Stevens announced that Mr. Christie has been reassigned to the Northeast portion of the United States as part of a reorganization of coverage based on specific regions. The Louisiana Deferred Compensation Plan is now part of the Southeast Region with Amy Heyel as the Regional Vice President of Government Markets. Mr. Christie has been working with the Louisiana Deferred Compensation Plan since its inception and reviewed the many accomplishment of the Plan noting the stability and commitment of the Commission members, Empower Retirement staff and Wilshire Associates over the 30 years.

#### **Fiduciary Training**

Ms. Collister presented an overview of the habits of highly effective fiduciaries. Fiduciaries have the duty to make decisions in the best interest of participants and beneficiaries. All ERISA rules are applicable as best practices and Ms. Collister noted that Louisiana State Laws do not conflict with ERISA. The Plan Document is considered the contract with participants and the IRS is primarily concerned that the Plan is operating in compliance with the document.

#### **Annual Event Update and Contract Review**

Ms. Stevens reviewed notable events that took place in 2015 including:

- Reduction of Managed Account fees
- Addition of Enhanced Retirement Roll In Services
- Four new political subdivisions added to the Plan

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- Efforts made in reducing the UPA account including a refund to participants, share classes on three funds changed to lower revenue sharing and the lowering of participant administrative fees in December, 2014.
- Automation of loan payments, payroll processing of deferrals, along with streamlining of banking arrangements and the scrubbing and shredding of physical participant files.
- Fiduciary training was presented by Marilyn Collister in December, 2014 and the Bi-Annual Report was completed by the Evaluation Committee.
- Roth 457 contributions were accepted into the Plan for the first time.
- Rebranding of Louisiana marketing materials with a new “look and feel.”

Mr. Stevens noted key areas of emphasis that will be pursued in 2016:

- Electronic deferral file feed of all payrolls (similar to the system currently being used by the Office of State Payroll).
- Increasing enrollments: LA currently has a 24% participation rate of state employees. The national average for participation in state plans is 40%.
- Add more political subdivisions to the Plan.
- The LADCP office is relocating to 9100 Bluebonnet Blvd on January 18, 2016.
- Additional training for payrolls related to loan payment processing and termination date entry.
- Active Choice

#### **Active Choice-Auto Enrollment Alternative**

Ms. Heyel introduced “Active Choice” as an enrollment process that would require the participant to make a decision of whether or not he/she will participate in the Plan. Behavioral psychologists have studied this concept and found that the average participation rate increases when the participant is asked to accept or decline participation into the Plan. Employees are aware that they are “undersaving” but unfortunately, they don’t do anything about it until it is too late. Active Choice tweaks the new enrollment process to include two check boxes: 1.) Yes, I want to enroll; 2.) No, I do not want to enroll at this time or, No, not at this time but I want someone to contact me. Ms. Stevens presented the steps to be followed in 2016 to incorporate Active Choice into the enrollment process of new and existing participants including reaching out to payrolls to determine the best options for the individual agencies. The default investment option in Active Choice would be Target Date Funds. Active Choice is an acceptable practice in anti-garnishment states like Louisiana and would not require legislative change to the Plan.

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**Streamlining Fund Lineup**

Mr. Lindberg and Mr. DiGirolamo presented recommendations in reviewing an array of Plan investment options including streamlining the number of investment choices in the Plan as has been discussed in previous meetings. The recommendation included:

- Consolidating multiple sub-asset class funds into broader diversified asset class funds to simplify the investment lineup for participants.
  - The broader asset class funds would remain appropriately diversified and rebalanced to minimize investment factor risk.
  - Participants would be more focused on appropriate asset allocation, the decision that drives over 90% of their portfolio's risk and return.
  - Participants who wish to overweight their portfolios to certain investment factors may continue to do so by utilizing the brokerage window.
  - A consolidated fund line-up could reduce investment fees paid by Plan participants.
- Wilshire recommends consolidating the Plan's fund line-up in domestic equity, international equity, fixed income and real assets from 18 actively managed funds and 3 passively managed funds, to 4 actively managed funds and 3 passively managed funds. The new mutual funds recommended for inclusion in the plan are:
  - MFS Core Equity Fund (Mapping 10 existing funds to 1)
  - BlackRock Total Stock Market Index Fund (Mapping 2 existing funds to 1)
  - American Funds EuroPacific Growth Fund (Mapping 4 existing funds to 1)
  - BlackRock Total Intl. ex. US Index Fund
  - Prudential Total Return Bond Fund (Mapping 3 existing funds to 1)
  - BlackRock US Total Bond Market Index
  - Principal Diversified Real Asset Fund (Mapping 2 existing funds to 1)
- The Plan's current Target Date Fund and stable value options would remain the same.

The recommendations were developed by Wilshire's Manager Research Team which is dedicated to research across all asset classes with the goal of selecting the right kind of "fit." Mr. Christie pointed out that Empower Retirement has another independent investment manager which is Ibbotson. Ibbotson may require the addition of an asset class (Small Cap) in order to offer the Managed Account program. To date, Ibbotson had not reviewed Wilshire's recommendation. Mr. Lindberg stated that there is no urgent timeframe in adopting the recommendation.

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**Regular Meeting - Call to Order**

Vice Chairman Kling called the meeting to order at 2:45 p.m.

**Approval of Commission Meeting Minutes of November 17, 2015**

The minutes of November 17, 2015 were reviewed. Ms. Hubbard motioned for acceptance of the minutes. Ms. Sanders seconded the motion. The Commission unanimously approved the minutes.

**Acceptance of Hardship Committee Reports of December 11, 2015**

Mr. Riviere motioned for acceptance of the Hardship Committee Reports of December 11, 2015. Ms. Burton seconded the motion. The Commission unanimously approved the reports.

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

**Administrator's Report**

**Plan Update** as of November 30, 2015 was presented by Ms. Stevens. Assets as of November 30, 2015: \$1,473.46 Billion. Asset change YTD: \$35.73 Million; Contributions YTD: \$93.88 Million. Distributions YTD: \$88.71 Million. The Net Investment gain YTD was: \$30.56 Million.

**Unallocated Plan Asset Account Report – November, 2015:** Ms. Stevens reviewed the UPA Accounts for November, 2015. Additions included gains on distribution corrections and interest. Distributions included Wilshire Associates fees. Cash balance on hand as of November 30, 2015 was \$3,038,368.21. There is one additional recordkeeping fee remaining in 2015 that will be processed on December 3, 2015 and reflect on the UPA report at the next meeting.

**Marketing Report**

Ms. Stevens reviewed the Marketing Report for the month of November, 2015. There were 139 new applications, averaging \$2,434 per application and 117 increases/restarts averaging of \$9,232 per application. The majority of activity in November came from the following agencies: Office of Citizens with Developmental Disorders, DOTD, Iberville Parish Council, LSU-Shreveport and LSU-Baton Rouge.

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**Other Business**

**Designation of Nominating Committee:** Chairman Bares is authorized by the Commission to assemble a Nominating Committee.

**Commission Meeting Schedule:** Ms. Stevens noted that the January meeting is scheduled one week earlier on January 12<sup>th</sup> due to the relocation of offices. The December meeting will be held one week earlier as the third week of December is the Christmas holiday week.

**Amendment to Agenda: Streamlining Fund Lineup**

Ms. Burton motioned to add Streamlining the Fund Lineup to the meeting agenda. A roll call was taken and all members present approved the motion. The Commission decided to postpone discussion related to streamlining of funds until the January 12, 2016 meeting to allow for response from Ibbotson and upon the return of Chairman Bares.

**Adjournment**

With there being no further items of business to come before the Commission, Vice-Chairman Kling declared the meeting adjourned at 3:00 p.m.

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Virginia Burton, Secretary