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Louisiana Deferred Compensation Commission Meeting April 15, 2014

The Monthly Meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, April 15, 2014 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
Len Riviere, Designee of Commissioner of Financial Institutions
Troy Searles, Participant Member

Not Present

Lela Folse, Designee of the State Treasurer
Whit Kling, Vice-Chairman, Participant Member

Others Present

David Lindberg, Consultant, Wilshire Associates, Inc.
Lindsey Hunter, Louisiana Attorney General's Office
Connie Stevens, Director, Client Relations and Plan Counseling, 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 March 18, 2014

The minutes of March 18, 2014 were reviewed. Ms. Hubbard motioned for acceptance of the minutes. Mr. Searles seconded the motion. The Commission unanimously approved the minutes.

Acceptance of Hardship Committee Report of April 4, 2014

Mr. Riviere motioned for acceptance of the Hardship Committee Report of April 4, 2014. Ms. Burton seconded the motion. The Commission unanimously approved the report.

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

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Administrator's Report

Plan Summary as of March 31, 2014 was presented by Ms. Stevens. Assets as of March 31, 2014: \$1.379 Billion. Asset change YTD: \$12.92 Million. Contributions YTD: \$23.91 Million. Distributions YTD: \$27.06 Million. Ms. Stevens pointed out that while contributions remain on track, distributions continue to exceed contributions. The Net Investment gain YTD was: \$16.07 Million. There are currently approximately 35,000 participants in the Plan with 4,322 (12%) receiving their statements electronically. Ms. Stevens reviewed the "Annual Investment Returns 1998-2013" report with Commission members highlighting the returns of each sector and noting the importance of asset allocation/diversification.

Contractors-Definition and Discussion: Ms. Stevens provided definitions of an "independent contractor", "employee" and "compensation" as they appear in the Plan Document in response to discussion at the March, 2014 meeting regarding participant eligibility. The Plan has very few participating contractors.

Loans and Payroll Automation Update: The number of payrolls that have not automated as of April 15, 2014 is 13 (down from 225). Of those agencies out of compliance, the number of assets totals \$4.529 Million with 119 participants. Ms. Hunter, who volunteered to call the remaining agencies, reported that she has been in touch with five payroll departments and will contact the remaining agencies before the May, 2014 Commission meeting. Significant operational work has been completed by Great-West Financial in preparation for converting all political subdivisions loan payments to payroll deduction from coupon payments. An article is included in the first quarter newsletter and a web bulletin will be posted to the site alerting participants to the change in remittance procedures effective July 1, 2014. An instructional flyer will be prepared to assist payroll departments in processing loan payroll deductions. Under the loan coupon method, payrolls were not responsible for the processing of loan remittances. Conversion to payroll deduction of loans applies only to new loans taken out effective July 1, 2014.

Unallocated Plan Asset Report-March 2014: Ms. Stevens reviewed the Unallocated Plan Asset Report for the month of March. The ending balance as of March 31, 2014 was \$3.421 Million. Deductions since the first of the year included, the Attorney General's Office, Wilshire, NAGDCA, Great-West Life & Annuity and Wells Fargo. Additions to the UPA during the same period included Mutual Fund fees (revenue from existing mutual funds) and participant recoveries.

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Unallocated Plan Account Review

Mr. Searles reported that the UPA continues to grow even though efforts have been made to reduce revenue sharing. Mr. Searles recommended that the Commission consider returning a portion of the money to participants but leaving enough money in the account to address expenses. Mr. Searles provided examples of how to return the money which included taking a “snapshot” report of Plan participants as of a certain date. Each participant’s pro-rata share of the total Plan would be calculated to determine the amount of the refund. If approved, a narrative would be included in the statement to explain the credit to participant accounts. Ms. Stevens polled other Plans throughout the country and provided the following as options in addition to Mr. Searles suggestion: Fee holiday, pay Managed Account fees, offer financial planning, additional marketing offerings, and additional education forums such as state-wide dinners. Mr. Lindberg stated that Wilshire is studying this issue and agrees that there is too much cushion in the account at this time. Mr. Searles suggested that a goal would be to allow \$120,000 per year to be received into the UPA to cover expenses. After completing research, Mr. Lindberg will provide the Commission with recommendations to consider in addition to revenue projections over the next 2-3 years. As requested, Mr. Lindberg’s research will not include any adjustment to the fee structure.

Investment Review

Mr. Lindberg presented an overview of the Executive Summary of Investment Performance as of March 31, 2014. There was a 2% increase in equity markets during the first quarter of 2014. Non-US markets continued to lag behind US markets and bonds were up 2%. Mr. Lindberg stated that the Fixed Income portfolios reflect 5.5% of the Plan assets. Wilshire is paying close attention to PIMCO due to organizational changes in the position of co- CIO. Nine percent of participant assets are in the Target Date Funds. Mr. Lindberg reported that Wilshire will be sending a finalized Executive Summary at a later date.

Marketing Report

Ms. Stevens reported that Kiaa Prelow, Benefits Supervisor, Human Resource Management at LSU-HSC, clarified eligibility status of participants remaining with LSU-HSC, Shreveport after the hospital privatized in October of 2013. All remaining “benefits eligible” physicians, faculty, staff and residents remain “active” on the “State” side even though the hospital moved to the private sector. Those participating in lieu of Social Security and those who elect to participate in the voluntary plan, are eligible to enroll. There are approximately 2,300 remaining employees at LSU-HSC, Shreveport.

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Ms. Stevens reviewed the Marketing Report for the month of March, 2014. There were 135 new applications received during the month of March averaging \$3,838 per application. There were 151 increases and restarts in March at an average of \$7,605 per request. The majority of activity during the month of March came from the following agencies: DCFS, LSU Medical Center-New Orleans, Orleans Parish Civil District Clerk of Court, DOTD, LSU-Baton Rouge.

Other Business

Possible Relocation of Office: Ms. Stevens reported that there is a possibility that the office of the Plan Administrator may be moving once the current building lease expires at the end of 2014. In selecting a new location, the following factors are being considered: location (must be visible), rate of lease, openings available at the time that the current lease is over and ease of accessibility. Ms. Stevens anticipates not needing as much office space once the hard copy files are removed. Commission members voiced no concern over the possibility of moving the office.

K1 Tax Statements: Ms. Stevens asked the Commission for direction on how to process K1 Tax Statements received that do not include participant names as they have in the past. K1 Tax Statements are generated when participants in the Self-Directed Brokerage Accounts invest in Master Limited Partnerships (MLP's). Great-West will not provide tax advice on these documents. A 457 Plan does not pay taxes. The Commission instructed Ms. Stevens to return the K1 Tax Statements to TD Ameritrade with a letter requesting participant names and how the documents are to be handled.

Files in Baton Rouge Office: Ms. Stevens reported on the progress being made to eliminate hard-copy files currently stored in the Baton Rouge office. File retention rules have been reviewed with Ms. Hunter. The following documentation is to be stored following the 7-year rule: Beneficiaries, Hardships, DROS and Death Benefit Claim payouts and transfers. Based on the number of files involved, it appears that the LA Def Comp/Great-West staff will be able to complete this project without the assistance of contract employees. Contract employees will only be hired if it is determined that the number of files involved in the DROS and Death Benefit Claims is extensive. Hard copies of Hardship files will be stored in the Plan Administrator's office. Great-West will not scan these documents as they are not considered a recordkeeping obligation but rather a Plan obligation.

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Ethics Reports due May 15, 2014: Ms. Hunter reminded Commission members to complete Financial Disclosure forms by May 15, 2014. Ms. Hunter also reminded Commission members that they must complete one hour of ethics training per year.

Adjournment

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 11:36 a.m.

Virginia Burton, Secretary