MINUTES

Louisiana Deferred Compensation Commission Meeting
December 16, 2014

The Monthly Meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, December 16, 2014 at the LSU Ag Center – Ione Burden Conference Center, 4560 Essen Lane, 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
Susan Pappan, Participant Member
Len Riviere, Designee of Commissioner of Financial Institutions

Others Present
Felicia Bennett, Consultant, Wilshire Associates
Perry Christie, VP PNP, Major Accounts-Denver, GWF
Marilyn Collister, Sr. Legislative & Regulatory Affairs Director-Denver, GWF
Sarah Flanagan Silcott, Communications Consultant-Denver, GWF
Stephen Marshall, Managing Director, Wilshire Associates
Rick McGimsey, Louisiana Attorney General's Office
Bill Thornton, Sr Mgr Client Portfolio Svcs AAG, Denver-GWF
Frederick Minot, Manager, Retirement Plan Counseling, GA-GWF
Connie Stevens, Client Relationship Director, Baton Rouge-GWF
Jo Ann Carrigan, Lead Office Coordinator, Baton Rouge-GWF
C. David Arriaza, KRPC, Baton Rouge-GWF
Beau Bordelon, RPC, Baton Rouge-GWF
Steven Guidry, RPC, Baton Rouge-GWF
Grady Savoie, RPC, Baton Rouge-GWF
Reggie Wheeler, RPC, Baton Rouge-GWF

Introductions and 2014 Review: Ms. Stevens introduced those in attendance. All participants were invited to add comments to a "Memorial Resolution" for Theresa Myers who passed away in December of 2014. The resolution will be drafted by Ms. Stevens and adopted in January, 2015. Ms. Stevens reviewed the highlights of 2014 which included: automation of payrolls, payroll deduction of loan remittance payments, mobile app of participant website, Kevin Pearson's school board bill passed in July, the UPA was reviewed with Wilshire resulting in a refund of administrative fees to participants and lower fees in 2015, the Plan Document was revised to include ROTH contributions to go "live" on January 1, 2015 and a fund change in 2015 was approved to reduce management expenses. Ms. Stevens noted specific goals for 2015 which included emphasis on increasing participation of state workers into the Plan. Ms. Stevens introduced the company brand name change from Great West to Empower Retirement to be led by Robert Reynolds, CEO who was previously with Fidelity. Empower Retirement consists of three companies coming together: Putnam, Great-West and JP Morgan Retirement Services, making the company the second largest provider in the industry. Empower Retirement will shift focus from "savings" to "retirement income" with the goal of becoming the best retirement plan provider by leveraging the best practices of the three companies.

Creating Custom Glide Paths for Target Date Funds

Mr. Steven Marshall of Wilshire Associates reviewed the feasibility of a Custom Glide Path for Target Date Funds within the Plan. He stated that Custom Target Date Funds (as opposed to "off-the-shelf" funds) allow sponsors to control allocations and the underlying investment options which may better serve the needs of their participants. When evaluating custom solutions, the best interests of the Plan participant should be the primary consideration.

Education: "Branded Funds"

Mr. Christie shared information on "Branded Funds" which is an option that some of the larger firms in the industry are gravitating to. Fund names include, "White Label," "Private Label" and "Branded Funds." Plan Sponsors are creating their own product to be used only for their Plan vs. selecting a mutual fund to be part of the core lineup. Mr. Christie shared examples of "Branded Funds" from LA County and New York City. Branded Funds can be made up of one fund or a blend of more than one fund to be determined by the Plan and the Plan Consultant. Mr. Christie noted the following advantages to Branded Funds:

- Funds are branded by the Plan Sponsor (own identity).
- Diversification of Managers.
- Low cost options.
- Performance of the underlying funds are monitored in accordance with their benchmarks.
- Easy to eliminate poor performers—no blackout, transparent to participant.
- Simpler investment lineup.
- No Prospectus or SEC filing.

Mr. Christie noted the following disadvantages to Branded Funds:

- Funds are not listed in the newspaper or other public source, just on Plan website.
- No historical returns.
- Hypothetical returns possible – must reengineer the unit values.
- Customize the marketing materials.
- Generates a little more client service activity.

Costs include:

- Valuation of the Daily Unit Value.
- Assumption of gain/losses for GWL errors.
- Trading with underlying funds.
- Cost of $5000 per fund.

Mr. Christie stated he would look into what, if any, adjustments would be needed to the contract if the Commission chooses to create a Branded fund for the Plan.

Education: "White Label Funds"

Ms. Bennett presented additional information regarding "White Label Funds." This topic was initially introduced at the October, 2014 Commission Meeting as a way of streamlining the investment lineup. The fund currently utilizes a combination of Collective Investment Trusts for its index funds and Target Date funds, and mutual funds for actively managed choices. Currently, there are seventeen mutual funds in the Plan lineup, representing multiple asset classes and sub-asset classes. Wilshire recommended reviewing the array of Plan investment options and consider streamlining the number of choices. Consolidating multiple sub-asset class funds into broader diversified asset class funds would simplify the investment lineup for participants. Further advantages include:

- 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 risk and return.
- Participants who wish to overweight their portfolios to certain investment factors may continue to do so by utilizing the brokerage window.

Ms. Bennett noted that streamlining choices into broad asset class funds lends itself well to creating custom White Label Funds. Further, Ms. Bennett noted that there are more advantages to move toward White Label Funds than disadvantages. The size of LA Deferred Comp Plan lends itself well to White Label Funds. Ms. Bennett stated that the Plan has done a very good job of driving costs down. The next step in this process would be to move toward White Label Funds which is the trend in the industry.

Fiduciary Training

Ms. Collister reviewed "best practices" noting that fiduciaries are held to the highest standard of conduct under the law and can be personally liable. Typically, most infractions are not deliberate and are the result of not knowing their responsibilities as a fiduciary. Governmental Plans are governed by State Law using ERISA statutes as best practices. Ms. Collister provided the Commission members with a new brochure recently written from the perspective of State law instead of ERISA statutes. Ms. Collister noted, however, that she has never seen a State law conflict with an ERISA statute. Ms. Collister identified the "fiduciary" as anyone who works on the Plan that exercises discretionary authority or control over Plan administration of the assets, i.e. decision makers in regard to the Plan. Ms. Collister presented a list of basic fiduciary standards of conduct which included:

- Exclusive Benefit Rule: Act solely in the best interest of the participant (loyalty).
- Prudence: Document that a process has been followed. Rules are not results-based but rather a process.
- Have an investment policy in place.
- The Plan Document is to be read "early and often" to assure that the procedures are being administered in compliance with the Plan Document. Conduct a "self-audit" of the administrative procedures. NOTE: In relation to a mandatory contribution (OBRA), the "First Day of the Month" rule does not apply. Regarding Special Catch Up, there is no "normal" retirement date in the Plan. As a result, retirement date is determined by the earliest stop date a participant can retire.
- Maintain a Fiduciary File Cabinet consisting of such items as Plan Document, Trust Agreement, Plan forms, Service Agreement, 3rd Party contracts, Investment contracts, Investment Policy Statement.

Ms. Collister reviewed upcoming governmental proposals (not yet bills) related to changes that may affect 457B Plans in particular ROTH contributions.

Stable Value Annual Review

Mr. Thornton reviewed the Stable Value Fund stating that it is a separate account held for the exclusive benefit of the Louisiana Deferred Compensation Plan and its participants. Mr. Thornton reviewed "Key Risks" for global growth which included:

- Elevated uncertainty in global growth, US domestic growth drivers, Fed Guidance and geopolitical risk.
- Increasingly pervasive weakness in Europe and low inflation environment.
- Downward revisions to global growth forecasts.

- Federal policy guidance becoming less definitive/inconsistent leading to increasing investor uncertainty and market volatility.
- Idiosyncratic risks including ISIS, Ebola, Greece, Russia.
- Market tone/transactions highlight increased risk aversion.

Mr. Thornton stated that the expectation is for fundamental economic data to soften modestly in 4Q in response to the challenges noted, gaining traction as the economy moves into 2015. Mr. Thornton summarized the Stable Value Fund as a fund that is being managed within policy, has a high investment quality, has had historical returns above market rates and is positioned for modest increases in market interest rates.

American Demographic Marketing
Ms. Flanagan Silcott reviewed demographics of Americans in relation to how to better reach and meet the needs of participants. Mr. Flanagan Silcott noted six different living generations in America:

- GI Generation (1901-1926)
- The Silent Generation (1927-1945)
- The Baby Boomers (1946-1964)
- Generation X (1965-1980)
- Gen Y/Millennials (1981-2000)
- Gen Z/Boomlets (2001 and after)

Each generation has its own unique behavioral-trait especially as it relates to savings and retirement income. The general consensus in the meeting was that the majority of LA Def Comp Plan participants fall into the 45-year old age group (Generation X)

Louisiana Deferred Comp Rebranding
Mr. Flanagan Silcott reported a shift in marketing materials from universal landscapes and colors to LA specific landscapes/colors. Ms. Flanagan Silcott noted that a brand is not just a logo. Ms. Flanagan Silcott invited attendees to send suggestions on landscape examples that can be used in marketing campaigns. The goal is to choose images of LA that are common throughout the entire state of LA. Ms. Flanagan-Silcott will return in February with a visual presentation of suggestions received/selected along with a formal proposal.

Regular Monthly Meeting

Call to Order
Mr. Bares called the meeting to order at 1:55 p.m.

Approval of Commission Meeting Minutes of November 18, 2014

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

Acceptance of Hardship Committee Report of December 7, 2014

Mr. McGimsey asked for review of one of the hardship cases addressed during the December 7th, 2014 Hardship Committee Meeting. Mr. Kling motioned to assemble Commission members into Executive Session. Ms. Hubbard seconded the motion. Commission members in attendance during Executive Session included Mr. Bares, Ms. Hubbard, Mr. Kling, Ms. Pappan and Mr. Riviere.

Upon re-convening the regular meeting, Mr. Riviere motioned for acceptance of the Hardship Committee Report of December 7, 2014. Ms. Hubbard seconded the motion. The Commission unanimously approved the report.

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

Administrator's Report

Plan Summary as of November 30, 2014 was presented by Ms. Stevens. Assets as of November 30, 2014: $1.444 Billion. Asset change YTD: $77.79 Million. Contributions YTD: $87.28 Million. Distributions YTD: $88.64 Million. The Net Investment gain YTD was: $79.15 Million.

Unallocated Plan Account Review-November, 2014: Ms. Stevens reviewed the Unallocated Plan Asset Report for the month of November, 2014. The cash balance on hand as of October 31, 2014 was $3.563 Million. Additions to the account included participant recoveries, mutual fund fees (3Q 2014) and interest for the month of November. Deductions to the account included Great-West recordkeeping fee, State of LA OSR and Wilshire Associates Inc. The closing balance as of November 30, 2014 was $3.638 Million.

Marketing Report

Ms. Stevens reviewed the Marketing Report for the month of November, 2014. There were 123 new applications, averaging $2,338 per application and 147 increases and restarts, averaging of $9,272 per application. The majority of activity in November came from the following agencies: DOTD, LSU-Baton Rouge, EBR Sheriff's Office and the City of Hammond. The ROTH option is being reviewed at the quarterly RPC Meeting on December 17th to assure that RPC's and administrators are familiar with ROTH details.

Other Business

Nominating Committee: Mr. Kling motioned to designate a nominating committee to address two positions open on the Commission in 2015. Ms. Pappan seconded the motion. Ms. Stevens noted that Ms. Burton's three year term on the Commission and the remainder of Mr. Searles' term, currently held by Ms. Pappan, expires July 1, 2015.

2015 Commission Meeting Schedule: The 2015 Commission Meeting schedule was distributed. Ms. Stevens pointed out that the February meeting will be held on the fourth Tuesday of the month instead of the third so as not to conflict with Mardi Gras holiday.

Adjournment

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 2:25 p.m.

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Virginia Burton, Secretary