

# MINUTES

## Louisiana Deferred Compensation Commission Meeting

March 17, 2015

The Monthly Meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, March 17, 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  
Andrea Hubbard, Designee of the Commissioner of Administration  
Susan Pappan, Participant Member  
Len Riviere, Designee of Commissioner of Financial Institutions

### **Members Absent**

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

### **Others Present**

Emily Andrews, Louisiana Attorney General's Office  
Sarah Flanagan Silcott, Communications Consultant-Denver, Empower Retirement  
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 10:00 a.m.

### **Approval of Commission Meeting Minutes of February 24, 2015**

The minutes of February 24, 2015 were reviewed. Ms. Pappan motioned for acceptance of the minutes. Mr. Riviere seconded the motion. The Commission unanimously approved the minutes.

### **Acceptance of Hardship Committee Report of March 6, 2015**

Ms. Burton motioned for acceptance of the Hardship Committee Report of March 6, 2015. Mr. Riviere seconded the motion. The Commission unanimously approved the report.

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

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**Administrator's Report**

**Plan Update** as of February 28, 2015 was presented by Ms. Stevens. Assets as of February 28, 2015 \$1,465.49 Billion. Asset change YTD: \$27.76 Million, Contributions YTD: \$16.11 Million. Distributions YTD: \$17.06 Million. The Net Investment Adjustment YTD was: \$28.71 Million. There was a fund change to the Plan since the last meeting. Invesco Real Estate R5, American Century Equity Income Institutional and Touchstone Mid Cap Growth Y were changed to lower cost share classes. The Blackrock Russell Lifepath 2060 Fund (for participants born after 1995) was added at the same time as the fund change.

**2015 Archives Report** was reviewed by Ms. Stevens. The asset history of the Plan was tracked from 1986 (\$30 Million) to 2014 (\$1.435 Billion). There were 37,599 participants in the Plan as of December, 2014. As of December 2014, 43.8 of all assets were in Fixed and 56.2% Variable. Trends in the market are reflected in the allocation of assets. A strong market, as in the 1990's, will reflect a retraction in Fixed Income. The dollar contributed by participants has steadily increased to approximately \$4,500 in the past two years. When measuring contributions, 40.2% of every dollar goes to Fixed and approximately 60% to Variable.

**Unallocated Plan Account Review – February, 2015:** Balance on hand as of January 31, 2015 was \$2.992 Million. Additions to the account included interest earned in February. Deductions included the Great-West Financial recordkeeping fee and the State of Louisiana Department of Justice fee. The balance as of February 28, 2015 was \$2.562 Million.

**Custom Stable Value Exception Letter 4Q14** – There remains three exceptions to the Investment Policy Statement: Lehman Brothers Unsecured Notes, Western Union Senior Notes and France Telecom Senior Notes. It was requested that, in the future, Bill Thornton, Sr. Mgr Client Portfolio Svcs AAG, include the exception letter with his Stable Value Fixed Income Fund Quarterly Report. Ms. Pappan requested that future letters of exception include when Lehman Brothers filed for bankruptcy and how long the securities have been held. The portfolio manager continues to recommend holding on to these three securities.

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**Annual Review of Banking Fees:** Ms. Stevens provided a review of the three bank accounts used by LADCP for the purpose of processing State Payroll files, plan disbursements and contributions. Each bank account has fees associated with them in addition to earnings credits. The net fees are paid by the recordkeeper. The bank accounts are held with two different banks: US Bank and JP Morgan Chase. Ms. Stevens will research the banking fees to determine if a better per-transaction fee can be secured by using US Bank exclusively as this is the bank used by Empower Retirement. Ms. Hubbard requested an update on the progress being made in automating payroll procedures of all non-State Payroll departments to be presented at the April Commission meeting.

### **Marketing Report**

Ms. Stevens reviewed the Marketing Report for the month of February, 2015. There were 130 new applications, averaging \$3,270 per application and 186 increases, averaging of \$7,581 per application. The majority of activity in February came from the following agencies: DCFS-Office of Child/Family Services, DPS-Office of Motor Vehicles, Bossier Parish Sheriff Department, DHH-Office of Secretary and Iberville Parish Sheriff Office. Ms. Stevens noted that security has become much more intense in governmental buildings which effects access of LADCP personnel. Ms. Hubbard offered to attempt to make arrangements for Ms. Stevens to give a brief presentation at the upcoming Under Secretaries meeting scheduled for March 24<sup>th</sup>.

**2015 Marketing Plan** – Ms. Flanagan-Silcott presented the 2015 Marketing Plan to the Commission noting the rebranding of Plan marketing materials and website to have a more Louisiana “look and feel.” The goal is to capture the diversity of the State of LA both geographically and culturally. References to Empower Retirement have been downplayed appearing only when legally required. All new calculators have been added to the website as an enhanced tool for participants under the “Tools/Calculator” tab. The website now includes fewer calculators but the new calculators are designed to be easier to use and more deliberate. Ms. Flanagan-Silcott was asked to research the usage of the calculator feature. The goal of all marketing pieces is to focus with the “end” in mind with an emphasis on what a participant’s income will be at retirement. The website is scheduled for revision within two years. Second quarter marketing efforts will include an emphasis on increasing contributions and participation. Ms. Hubbard suggested that flyers be emailed to each payroll department for posting in the various offices. The “National Save for Retirement Week” will be featured in the third quarter newsletter and marketing materials. The fourth quarter emphasis will feature diversification, contribution limits, auto increase schedule for State Payroll employees and election for participant member.

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#### **Other Business**

**Empower Retirement Site Visit** – This topic was rescheduled to be addressed at the April, 2015 meeting.

**Invitation to the Joint Advisory Council/Education Conference sponsored by the JP Morgan Chase Retirement Plan Services** – One person from the LADCP Commission has been invited to attend the conference. At this time, there is no date or location scheduled. Ms. Stevens will reserve one space at the Conference for a Commission member and will provide more specific information as it becomes available.

**Recordkeeper Capabilities** – Ms. Stevens presented an overview of the Empower Retirement vision. Empower Retirement is an integration between Great-West Retirement Services, JP Morgan Retirement Plan Services and Putnam. This entity, Empower Retirement, has brought together the strength of each company (technology, client services and recordkeeping). Robert Reynolds is the CEO of Empower Retirement having come from Fidelity where he brought Fidelity to the number one position in retirement plans. Empower Retirement is now number two in the industry as a result of the merger of the three companies. To date, one out of four public employees is with Empower Retirement covering 24 states and over 9,000 government entities. The Empower Retirement technology budget will increase to \$90 Million as opposed to \$45 Million under Great-West Financial last year. Ms. Stevens reviewed Empower Retirement's guiding principles which include: Proprietary recordkeeping system, experience centered on monthly income at retirement vs. total balance, personalized communication that drives action, experience designed around total retirement and sophisticated tools to measure results, guide and support plan decisions. Four major plans have been added over the past six months: Apple, Intuit, Southwest Airlines, and Washington state, the largest governmental plan.

**Ballot Counting Proposal:** Ms. Stevens reported she spoke with Michelle Cunningham of Duplantier, Hrapmann, Hogan & Maher, LLP (former auditor for the financial audit of the Plan), who provided an election ballot counting quote of \$65 per hour plus postage costs. NOTE: The ballots will be included in participant statements so there are no postage costs to Duplantier, Hrapmann, Hogan & Maher. The estimated service time-frame will range between 100 to 120 hours. The Commission approved engaging Duplantier, Hrapmann, Hogan & Maher for ballot counting services. A "Letter of Engagement" will be provided by the firm for Commission signature.

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**Evaluation Committee Report** – Mr. Burton pointed out that an Evaluation Committee report is needed as a monitoring report to participants. The report is usually completed every other year in the fall. The Evaluation Committee will include Ms. Pappan, Mr. Kling and Ms. Burton. Ms. Stevens will provide a draft of the letter using the archive report, Wilshire’s 12/31/2014 Executive Summary and the financial audit. Once completed, the Evaluation Committee Report is posted on the LADCP website under Resource Center/Commission Documents. Ms. Stevens reported that financial auditors will be in the office March 18-19, 2015.

**Disclosure Statements** – Ms. Andrews reminded Commission members to complete Disclosure Statements by May 15, 2015.

**Adjournment**

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 11:15 a.m.

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Virginia Burton, Secretary