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Louisiana Deferred Compensation Commission Meeting July 22, 2014

The Monthly Meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, July 22, 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
Lela Folsie, 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

Not Present

Virginia Burton, Secretary, Participant Member

Others Present

Lindsey Hunter, Louisiana Attorney General's Office
Stephanie Little, House Retirement Committee (public)
Grady Savoie, RPC, Baton Rouge GWF
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 10:00 a.m.

Approval of Commission Meeting Minutes of June 17, 2014

The minutes of June 17, 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 July 11, 2014

Mr. Riviere motioned for acceptance of the Hardship Committee Report of July 11, 2014. Mr. Kling seconded the motion. The Commission unanimously approved the report.

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Participant Member Swearing-in

Ms. Hunter swore-in Susan Pappan as participant member of the LA Deferred Compensation Commission. Ms. Pappan is replacing Troy Searles on the Commission.

Public Comments: Stephanie Little, House Retirement Committee and a member of the public, attended the July 22, 2014 LA Deferred Compensation Commission Meeting.

Administrator's Report

Plan Summary as of June 30, 2014 was presented by Ms. Stevens. Assets as of June 30, 2014: \$1.412.69 Billion. Asset change YTD: \$46.03 Million as a result of net investment gain. Contributions YTD: \$47.62 Million. Distributions YTD: \$51.60 Million. The Net Investment gain YTD was: \$50.01 Million.

Participation by Asset Class and Investment Option: Ms. Stevens reviewed participation by asset class noting the order of the top 4 investment options based on assets: Stable Value (44.3%); Black Rock Russell 1000 (7.75%); T. Rowe Price Growth Stock (3.55%); T. Rowe Price Equity Income Fund (3.5%).

Unallocated Plan Asset Report-June 2014: Ms. Stevens reviewed the Unallocated Plan Asset Report for the month of June. The cash balance on hand as of May 31, 2014 was \$3.490 Million. The ending balance as of June 30, 2014 was \$3.497 Million. Ms. Stevens reported that Wilshire is analyzing the UPA and has noticed that balances are exceeding what they anticipated would happen after their previous analysis/recommendations. Wilshire is considering options on how to reduce the balance and will present recommendations to the August, 2014 meeting. Participant fees (\$2.50 per participant per quarter) and growth in assets and balances have resulted in more money coming in from participant recoveries than anticipated. Some revenue is also coming in from the funds themselves.

Loan Payroll Deduction Update

Ms. Stevens reported that 334 agencies have been contacted regarding the change in loan remittance procedures. Two separate emails have been sent to non-ISIS agencies detailing the changes required (April, 2014) and instructions on how to process loan payments through the Plan Service Center (July, 2014). To date, 155 agencies have responded to the emails sent. Some payroll departments have elected to opt out of the loan provision option. Participants from these agencies requesting loans will be sent a memo explaining that their payroll department has opted not to offer loans as a result of

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a this change in remittance procedure. The specific payroll departments will receive a copy of the memo as well. Since July 1, 2014, 24 loans have been requested. Twenty-two of the loans were processed and two were rejected due to non-compliance of the payroll department. Ms. Stevens was not concerned with the initial results. On a related matter, Mr. Kling asked that a decision be made at the August Commission Meeting related to how to enforce electronic filing of Deferred Compensation deferrals by every payroll department. Approximately 100 payroll departments have submitted paperwork to begin electronic processing but continue to mail paper-copy lists with contributions.

Plan Document Update

Ms. Hunter reported that changes to the Plan Document in the form of, "Notice of Intent," are currently with the fiscal office. Ms. Hunter was hopeful that a response from the fiscal office would be received in a timely fashion so that the paperwork could be submitted to the Register by the July 20th deadline. If all goes as planned, the changes will become effective in October, 2014. ROTH 457B will become available in January, 2015.

Plan Financial Audit

Ms. Stevens reported that there were no findings by the audit team completing the 2013 Plan audit. A final copy of the audit report will be posted to the website once received.

Extension of Audit Contract: The three year contract with Heinz & Macalusso, LLC has expired. Ms. Stevens contacted the Legislative Auditor regarding renewing the contract with Heinz & Macaluso LLC and a proposal was received. The proposal reflected a slight increase from the previous contract (see Tab 6). Mr. Kling motioned to continue the auditing services of Heinz & Macaluso LLC at the proposed rate. Mr. Riviere seconded the motion. The Commission unanimously approved the motion.

Marketing Report

Ms. Stevens reviewed the Marketing Report for the month of June, 2014. There were 425 new applications received during the month of June averaging \$3,063 per application. There were 227 increases and restarts in June at an average of \$6,876 per request. The majority of activity during the month of June came from the following agencies: LSU HSC-New Orleans and Shreveport, Franklin Parish Sheriff's Office, Desoto Parish Sheriff's Office and the City of Slidell.

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Retirement seminars have been scheduled during the month of September featuring Ron Nichols, Retiree-Advocate for Great-West Financial. The seminars will be held in the DOTD Building in Baton Rouge and Ms. Stevens encouraged members of the Commission to attend. The seminars were announced in the most recent Great-West Financial newsletter sent to all participants. A banner has also been added to the website inviting participants/retirees to attend.

School Board Update: On July 8, 2014, a letter was mailed to 169 superintendents of school boards and charter schools regarding the passage of LA House Bill 171 requiring that school boards and governing authorities of charter schools offer LA Deferred Compensation as an option to their employees. A week later, Great-West Financial Retirement Plan Counselors (RPC) began visiting school boards to discuss the bill. Ms. Stevens introduced Grady Savoie, RPC with Great-West Financial noting that Mr. Savoie has been gathering preliminary response information received from school boards related to Louisiana House Bill 171. Mr. Savoie reported that some of the schools boards have been pro-active and have reached out to Great-West for information. Some of the boards, however, have “pushed-back” noting that a 457B Plan is already offered in the school district. Mr. Savoie stated that the statute is written in such a way that it only requires school boards to offer LA Deferred Compensation Program and does not prohibit additional plans from being offered. Some school boards have asked if there will be any kind of penalty if they choose not to offer LA Deferred Compensation. Ms. Hunter will look into this issue for the Commission. Additional questions have been received related to who is eligible to participate in the plan. Ms. Stevens reported that 10-12 school boards were already offering the Plan prior to passage of LA House Bill 171.

Other Business

NAGDCA Registration: Ms. Stevens surveyed the members to determine who would be attending the NAGDCA Conference in September. Ms. Stevens will be mailing registration fees for Mr. Bares, Ms. Burton and Ms. Pappan. The registration deadline is August 14, 2014.

September Commission Meeting: There will be no Commission Meeting in September due to the NAGDCA Conference.

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Adjournment

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 10:36 a.m.

Virginia Burton, Secretary