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Louisiana Deferred Compensation Commission Meeting May 21, 2013

The Monthly Meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, May 21, 2013, 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
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
Troy Searles, Participant Member

Others Present

Perry Christie, VP PNP Major Accounts, Denver GWF
Lindsey Hunter, Louisiana Attorney General's Office
Connie Stevens, Director, Client Relations and Plan Consultants, Baton Rouge GWF
Jo Ann Carrigan, Lead Office Coordinator, Baton Rouge GWF

Call to Order

Chairman Bares called the meeting to order at 10:03 a.m.

Approval of Commission Meeting Minutes of April 16, 2013

The minutes of April 16, 2013 were reviewed. Ms. Burton motioned for acceptance of the minutes. Mr. Kling seconded the motion. The Commission unanimously approved the minutes.

Acceptance of Hardship Committee Report of May 3, 2013

Mr. Kling motioned for acceptance of the Hardship Committee Report May 3, 2013. Ms. Burton seconded the motion. The Commission unanimously approved the report.

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

Administrator's Report

Plan Summary as of April 30, 2013, was presented by Ms. Stevens. Assets as of April 30, 2013: \$1,272.97 Billion. Asset change YTD: \$62.19 Million. Contributions YTD: \$32.83 Million. Distributions YTD: \$31.96 Million. Net Investment gain YTD: \$61.32 Million.

Plan Review-1Q13

Ms. Stevens reviewed First Quarter data in the Plan. In a letter from Brent Neese, Vice President, Government Markets of Great-West Retirement Services it was noted that 4.5 Million participant accounts are serviced, with 1.8 Million of those participants in governmental plans, 19 of 50 states partner with Great-West and Great-West is used by more major cities than any other provider. The Great-West Financial, State of Louisiana website has won the "Communicator Silver Award of Distinction." Ms. Stevens thanked Mr. Bares, Mr. Kling and Ms. Hubbard for their assistance in helping develop the layout of the winning website.

The average participant account balance has almost doubled in a five year period (2008-2012) due to strong contributions, market gains and the removal of de minimis account balances. The number of participants in the Plan has decreased due in part to early retirement, State-wide layoffs and de minimis. Investment performance, year-to-date, reflects a very strong market. The Plan has an aging population which is reflected in the increase in Required Minimum distributions. Ms. Hunter reported that the presentation given by the Advised Asset Group during the Site Visit to Denver was outstanding.

Unallocated Plan Assets: Ms. Stevens presented UPA Account activity for April, 2013. Beginning balance: \$3.094 Million; Ending balance as of April 30, 2013 was \$3.080 Million including an interest addition of \$7,382 with deductions including Wilshire's quarterly fee and NAGDCA's membership fee for the Commission. "Fees to Offset Contractual Amount Due" include Mutual Fund fees that will be reduced to lower share classes effective May 21, 2013. The Stable Value fee will be zero in the future. The Maxim Fund Fee will also be reduced to zero in future reports. Participant recoveries will also be reduced in 2013. The "Quarterly Flat Fee" per participant was reduced from

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\$3.75 to \$2.50 effective January 1, 2013. “Contractual Fees Due to Great-West” went to \$48 annually effective 1/1/2013. The “Loan Maintenance Fee” has been reduced from \$8.75 per participant to \$7.50 effective January 1, 2013.

Automation of Payrolls Update: Ms. Stevens reported an update in converting non-automated payrolls to automated payrolls. As of May 17, 2013, there are 193 non-automated payrolls. (This figure was revised from the previously reported number of 178 due to updated reports generated.) From the 193 payrolls, there are 3,925 contributing participants indicating that the remaining payrolls are small in participant numbers. Great-West’s Plan Service Center personnel have offered to participate in a calling campaign to help convert non-automated payrolls. The RPC’s have been given a list of unconverted payrolls to target in their assigned territories. Additional webinars are also being planned. The current deadline is December 31, 2013. Ms. Stevens recommended that the deadline be moved to October 31st to prevent end-of-year crunch. Ms. Hunter reported that she has reviewed rules and determined that the Commission has the discretion to allocate costs to the participant should some payrolls not wish to automate. Ms. Hunter recommended that another letter be sent in June to non-automated payrolls stating that there may be additional costs associated with not converting. Once the October deadline passes, the Commission would then have to make the decision on how motivate payrolls to comply. Currently, there is no incentive to comply. Mr. Christie offered to look into how to handle additional administrative fees for payrolls not converting to automation. Ms. Hunter will look into the option of not allowing participants from non-automated payrolls to contribute to the Plan. Ms. Stevens will provide the Commission with the amount of assets from the 3,925 participant accounts in non-automated payrolls.

Participation by Asset Class and Investment Option effective April 30, 2013 report was reviewed by Ms. Stevens. The following funds will change to lower-cost share classes effective May 21, 2013: (1) The International Sector: Great-West MFS International Value, Oppenheimer Developing Markets, American Funds EuroPacific and American Funds Capital World Growth and Income. (2) In the Small Cap sector: Perkins Small Cap Value; (3) Mid Cap sector: Artisan Mid Cap Value and (4) Large Cap: American Funds Washington Mutual. The Plan will close after the market closes on May 20th and will re-open as soon as possible on May 21st. Participant notification was released in the March 31, 2013 statements and 30 days after the date participants receive the notification, the fund changes will take place. Ms. Stevens brought to the attention of the Commission an email from Christopher Shelby of Wilshire regarding issues related to Janus due to portfolio manager departures.

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Outsourcing: Ms. Hunter has researched the possibility of outsourcing to Denver the Unforeseen Financial Emergencies (Hardship) and QDRO procedures. The Commission has the authority to delegate the decision-making processes. Hardship applications must be reviewed/approved by three individuals whether in Baton Rouge or Denver. Currently, the Hardship Committee meets on the first Friday of every month. The Commission meets on the third Tuesday of each month so the report that is approved each month is for money that has already been paid out. Ms. Hunter noted that the option of outsourcing the Hardship procedures to Denver would result in a more timely release of money. Distribution would be on an “as needed basis” instead of on a monthly basis. The cost of outsourcing is covered under the current contract and it would not be necessary to have an active Hardship Committee in Baton Rouge. The Hardship Committee report would then be accepted vs. approved. The Commission must appoint specific individuals and the contract would have to be amended. Ms. Stevens was assigned the responsibility of alerting the current members of the Hardship Committee of this change in procedure. Mr. Searles motioned that the Hardship Committee functions be outsourced to Great-West in Denver effective July 1, 2013. Mr. Kling seconded the motion. The Commission unanimously approved the motion.

Currently, QDRO and Death Claim Processes are handled by the Baton Rouge office. Ms. Hunter is involved in the review process when determined necessary. The Commission decided to wait to make any changes in the current procedures until after the Hardship changes in procedures have been moved to Denver.

Record Retention: Ms. Hunter reviewed the LA Deferred Compensation Record Retention Policy with the Commission. Currently, there are approximately 2600 participants who have not listed a beneficiary. The Baton Rouge office has many paper files in their office (not secured) that may include beneficiary information from older applications (5 years past or more). Ms. Hunter, citing minimum liability, recommended changing the Records Retention policy to not keep files “permanently.” Instead, the following efforts will be made to record beneficiary information electronically: 1) GWF will send out beneficiary forms to all 2Q13 statement recipients; 2) a customized message will appear on the statement and newsletter and 3) the current beneficiary or lack of one is noted on all participant statements indicating whether or not a beneficiary is on file electronically. Ms. Stevens will provide the Commission with a report of a sampling of what is in each file, what forms are absolutely necessary and the cost related to storing or scanning/shredding the files.

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Stable Value Review 1Q13

Bill Thornton, Senior Manager, Great-West Client Portfolio Services presented a quarterly review of the State of Louisiana Stable Value Fund. Mr. Al Cunningham, previous manager, is retiring from Great-West effective June 1, 2013. Mr. Thornton pointed out that Great-West is the only “wrap provider.” Cathe Tocher is the Lead Portfolio Manager for Great-West Stable Value. The Fund is positioned for a gradual increase in rates.

Letter of Exceptions: The Portfolio Manager recommends that Lehman Brothers and Western Union Senior Notes continue to be held.

Marketing Report

There were 152 new applications received during the month of April averaging \$3,916 per application. There were 146 increases and restarts at an average of \$8,191 per request. New enrollments came primarily from Interim LSU Pub Hospital-N.O., LSU Baton Rouge, DOTD, Jackson Parish Sheriff’s Dept. (new to the Plan) and DCFS. Ms. Stevens asked the Commission for suggestions on how to get additional access to State agencies.

Video and Participant Testimonies: The proposed participant endorsement video has not come to fruition due to participant hesitancy to appear before a camera. It was suggested by Ms. Stevens to use participant testimonies in the quarterly newsletter instead.

Other Business

Site Visit: A Site Visit was held on May 7-9, 2013 (Tuesday, Wednesday, and Thursday). Attendees reported that the meeting was productive citing secure and efficient operations.

NAGDCA: The Annual NAGDCA Conference is scheduled for September 8-11, 2013 in Louisville, KY. Ms. Stevens will register attendees for the Annual Meeting. Hotel registration should be completed by each attendee.

Adjournment

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 11:41 a.m.

Virginia Burton, Secretary