MINUTES

Louisiana Deferred Compensation Commission Meeting

May 25, 2016

A special called meeting of the Louisiana Deferred Compensation Commission was held on Wednesday, May 25, 2016 in the offices of the Plan Administrator, 9100 Bluebonnet Centre Blvd., Suite 203, 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
Len Riviere, Designee of Commissioner of Financial Institutions
Laney Sanders, Participant Member

Others Present

David Lindberg, Consultant, Wilshire Associates-*by conference call*
Steve DiGirolamo, Consultant, Wilshire Associates-*by conference call*
Emily Andrews, State of Louisiana Attorney General's Office
Dylan Alge, Participant
Mark Pethke, Participant
Thomas Enright, Jr., Executive Counsel, Louisiana Department of Treasury
Captain Jeffery J. Robert, Participant
Connie Stevens, State Director, Baton Rouge, Empower Retirement
Reggie Wheeler, RPC, Baton Rouge, Empower Retirement
Jo Ann Carrigan, Lead Office Coordinator, Baton Rouge, Empower Retirement

Call to Order

Vice-Chairman Kling called the meeting to order at 2:00 p.m. Roll call was taken of the Commission members present. Mr. Kling stated that the purpose of the special called Commission Meeting of May 25, 2016 was informational in nature with no action to be taken on the table. Mr. Kling reviewed the Public Comment rules with attendees noting that comments should not exceed three minutes per person. Mr. Kling also explained that any questions from the participants must be submitted through a Commission member or an Empower Retirement representative.

Approval of Commission Meeting Minutes of May 17, 2016
The minutes of May 17, 2016 were reviewed. Mr. Bares motioned for acceptance of the minutes. Ms. Hubbard seconded the motion. The Commission unanimously approved the minutes.

Public Comments: Members of the public attending the meeting were: Dylan Alge, Mark Pethke, Thomas Enright and Captain Jeffrey J. Robert.

Captain Robert stated that he was in attendance as a follow-up to the meeting he attended on May 17, 2016.

Mr. Alge stated that he wanted to know why the fund lineup was streamlined and stated that the options now prohibit diversification. Mr. Alge also commented that he found the webpage confusing as it related to the Self Directed Brokerage fee structure.

Mr. Pethke stated that he agreed with the comments already made by the other two participants in attendance.

Mr. Enright expressed his desire that all of the questions presented during the May 17, 2016 meeting be addressed. Mr. Kling assured Mr. Enright that the questions would be addressed by the Wilshire representatives during the meeting.

Mr. Lindberg reviewed the investment structure and the Wilshire research process conducted that led to the recommendation to streamline the funds. The investment process followed by Wilshire was presented in the form of an inverted triangle consisting of: Fund Objectives, Asset Allocation, Investment Structure and Active Management. Mr. Lindberg noted that DC Plans are increasingly simplifying their lineup and offering "white labeling" – combining multiple managers and strategies into broad groups of investment options. The white label funds are at the far end of the spectrum and the Commission chose to stop short of moving to white label funds in the Louisiana Deferred Compensation Plan. Mr. Lindberg also provided participant behavioral reasons for simplifying the lineup. Specifically, Mr. Lindberg noted that "Choice Overload" has been confirmed in various industry studies concluding that increased options lead to lack of confidence, decision making paralysis and potentially decreased participation.

Mr. Lindberg stated that most Plans consist of sophisticated investors and non-sophisticated investors. Ninety-nine percent of the participant-base is made up of non-sophisticated investors who need a clear, simple solution. While the industry does care about the sophisticated investor, the emphasis is on assisting the non-sophisticated investor. The industry has spent a great deal of time studying behavioral finance and the findings support that streamlining and having broad coverage of asset classes enables the participant to save more because of less confusion.

Mr. Lindberg presented a review of the research process used by Wilshire of how funds are selected and recommended. Mr. Lindberg addressed comments received from participants related to Morningstar services stating that Wilshire does not follow the Morningstar model. Mr. Lindberg noted that Wilshire's research is qualitatively driven and not based on past performance. Wilshire Associates has 70+ investment professionals contributing to its manager research capabilities. He reviewed Wilshire's Qualitative Investment Due Diligence that consists of six features that are weighted: Organization (20%), Information (20%), Forecasting (20%), Portfolio Construction (20%), Implementation (10%) and attribution (10%). In quantitative reviews, Wilshire evaluates based on historical attribution-based analytics (calculated based on historical track records) and forward looking holdings-based analytics (calculated based on actual portfolio holdings).

Mr. Lindberg reviewed the new plan line up as recommended by Wilshire at the December, 2015 LADCP Commission Retreat:

- Consolidating multiple sub-asset class funds into broader diversified asset class funds.
- Consolidating the Plan's fund line-up in domestic equity, international equity, fixed income, and real assets from 18 actively managed funds and 3 passively managed funds to 4 actively managed funds and 3 passively managed funds.
- The Plan's current Target Date fund and Stable Value options would remain the same.

Mr. Lindberg pointed out that switching from the current fund line-up to the new consolidated fund line-up would decrease investment management fees by 7 basis points and save plan participants roughly $265,000 per year. Fee savings go to the participants in the Plan and not to the recordkeeper. Recordkeeping fees are fixed based on the existing contract. Mr. Lindberg confirmed that the relationship between Wilshire and the LADCP Commission began in the year 2000.

TD Ameritrade Fees and Commission

Ms. Stevens commented that she has received inquiries from participants related to concern over having to pay additional transaction fees when choosing the Self Directed Brokerage option. Ms. Stevens conducted research and found that in almost all cases, equivalent retail funds with no transaction fees are available through TD Ameritrade and exchange traded funds (ETF) would be available through the commission-free ETF database. There is a $15 fee per quarter for TD Ameritrade services. Ms. Stevens reviewed a TD Ameritrade Commissions and Service Fees chart with those in attendance.

2Q16 Participant Communications

Ms. Stevens stated that inquiries regarding the streamlining of funds have been received from a predominantly vocal minority of very savvy participants. The calls/emails received had similar themes which included: why were the specific funds chosen, limited performance history of recommended funds, allocation of MFS Core Equity, not enough time provided to review changes, poor performance of recommended funds and the lack of participant input. Mr. Lindberg stated that Wilshire would provide indexes that correlate to the investment options in addition to providing the percentages of Cap allocations in the MFS Core Equity Fund. Mr. Lindberg gave Ms. Stevens permission to use the Wilshire research presented when responding to participant inquiries. Ms. Andrews confirmed that document RS42/1303 in addition to the Plan Document give the Commission full power and authority to administer the plan or to arrange for the administration of the plan through appropriate Title 32, Part VII contracts or agents in accordance with applicable state law. Section 501C of the Plan Document further states:

> C. The commission may, from time to time, change the investment options under the plan. If the commission eliminates a certain investment option, all participants who had chosen that investment shall select another option. If no new option is selected by the participant, money remaining in the eliminated investment option shall be moved at the direction of the commission.

Ms. Andrews noted that no timeline is stated in the statutes or Plan Document regarding when participants should be notified of fund changes. Ms. Stevens referenced an SEC requirement that participants must be notified of fund changes 30 days prior to the actual mapping of funds. Participants in the Plan were notified in the 1st quarter statements which were mailed in April. Ms. Stevens stated that based on SEC standards, the notification timeframe followed was adequate.

After additional discussion related to fund comparison, communication and the timing of participant notification, Ms. Folse motioned to add to the agenda to grant more time for participants for review. There was no second to the motion. The motion failed.

Adjournment

With there being no further items of business to come before the Commission, Vice-Chairman Kling declared the meeting adjourned at 3:47 p.m.

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Virginia Burton, Secretary