MINUTES

Louisiana Deferred Compensation Commission Meeting

November 15, 2016

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, November 15, 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
Thomas Enright, Designee of the State Treasurer
Andrea Hubbard, Designee of the Commissioner of Administration
Whit Kling, Vice-Chairman, Participant Member
Len Riviere, Co-Designee of Commissioner of Financial Institutions
Laney Sanders, Participant Member

Others Present
Emily Andrews, State of Louisiana Attorney General's Office
Daniel Gargan, Client Portfolio Manager, Great-West Financial-b*y Conference Call*
Nate Simons, Senior Investment Analyst, Great-West Financial-*by Conference Call*
Connie Stevens, State 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 9:59 a.m.
Roll call was taken by Jo Ann Carrigan.

Approval of Commission Meeting Minutes of October 18, 2016
The minutes of October 18, 2016 were reviewed. Mr. Kling motioned for acceptance of the minutes. Ms. Sanders seconded the motion. The Commission unanimously approved the minutes.

Acceptance of Hardship Committee Reports of October 19-November 9, 2016
Mr. Kling motioned for acceptance of the Hardship Committee Reports of October 19-November 9, 2016. Mr. Riviere seconded the motion. The Commission unanimously approved the reports.

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

Administrator's Report

Plan Update as of October 31, 2016: Ms. Stevens presented the Plan Update as of October 31, 2016. Assets as of October 31, 2016: $1,494.30 Billion. Asset change YTD: $35.40 Million; Contributions YTD: $78.38 Million. Distributions YTD: $101.18 Million. The Net Investment gain YTD: $58.20 Million.

3Q16 Plan Review: Ms. Stevens presented the 3Q16 Plan Review noting that as of 9/30/2016, Plan Assets were $1,507.21 Billion with an asset change of $93.95 Million and a Net Investment Gain of $112.46 Million. In the twelve month period of 10/1/2015-9/30/2016, contributions totaled $95.32 Million and distributions totaled $113.83 Million—a difference of approximately $18 Million. Ms. Stevens pointed out that approximately $10 Million and 238 participants have been lost, year-to-date, as a result of political subdivisions leaving the Plan to competitors such as VOYA and Axa. Ascension Parish Sheriff will be leaving the Plan on December 15th to VOYA. Ascension Parish Sheriff has approximately $10 Million and 331 participants in the Plan. Calcasieu Parish Sheriff's Office is also discussing their options with Ms. Stevens. Calcasieu Parish currently has 56 participants and assets totaling $1.5 Million. Ms. Stevens observed that contributing factors in sheriff offices leaving the Plan include a desire for more control, displeasure with the fund change and a perception that the competitor's are offering lower fees. Ms. Stevens has lobbied with the LA Sheriffs' Association and has spoken with Skip McGee, Executive Director at Louisiana Sheriffs' Pension fund with the purpose of promoting the Plan. When speaking with agencies that have expressed interest in leaving the Plan, Ms. Stevens makes it clear that they will be taking on fiduciary and administrative responsibilities as a result of their decision. Mr. Enright suggested preparing a flier that reflects a side-by-side comparison of Plans and services. Ms. Andrews suggested that the flier not include specifics but generalized information so as not to run the risk of distributing incorrect or out-dated data.

Asset growth continues as a result of a combination of contributions less distributions and market growth. The average account balance in 2016 is $40,103.58 with 37,583 participants. The guest speaker at the December Retreat will be Jack Brown, VP of Separate Accounts along with Bill Thornton, Sr. Manager Client Portfolio Services, both of Great-West Financial. The topic to be reviewed is the interest rate environment. An investment policy review of the Stable Value Fund will also be conducted at the retreat in December.

There are excellent returns in investment performance, year-to-date. Ms. Stevens will research the impact that the "Active Choice" flier is having on participation/contribution rates. All agencies are allowing use of the flier. Plan participation has remained steady over the past four years averaging 37,000-38,000 each year. The Louisiana Deferred Comp Plan is a mature one which makes it a challenge to "move the needle" in participation/contributions totals. The total number of full withdrawals during the period of 1/1/2015-9/30/2016 was 2,296 as compared to 1,994 during the same period in 2015. The difference can to be attributed to contract terminations of agencies leaving the Plan.

Hardship distributions during the period of 10/1/2015-9/30/2016 totaled 200 participants as compared to 65 during the same period the previous year. January 17, 2017 is the deadline for requesting flood hardship withdrawals. The Committee will meet at noon on January 17th so that requests can be processed by 3:00 p.m. Members of the Commission voiced concern that flood victims will not have their finances (insurance and FEMA) in order by January 17th. Mr. Kling motioned to draft a letter from the Commission to the Governor and Commissioner of Administration to pursue a six month extension of the IRS rule related to hardship withdrawals as the result of the flood. After discussion, Mr. Kling amended the motion to send the request to the Governor and every member of the LA congressional delegation. Further, the motion was amended to change the wording of the rule to "applications must be submitted by January 17th" instead of "distributions must be made by January 17th". Ms. Burton seconded the motion. There was no objection and the motion carried.

The total number of participants with loans as of 9/30/2016 was 3,562 totaling $21.10 Million. The average loan balance is: $5,924. Loan offset procedures are in place for participants who leave employment with outstanding loan balances.

Ms. Stevens announced a plan to emphasize e-delivery of statements which is the trend within the industry. Currently, the Plan has approximately 23,000 email addresses on file. There are pricing concessions for Plans adopting e-delivery of statements early on. Amy Heyel, VP of Government Markets and Danette Rausch, AVP Partner Strategy, will be addressing the move toward e-delivery of statements at the December retreat. The newsletter will be delivered electronically to those who selecting e-delivery of statements but will continue to be mailed to participants who prefer hard-copy statements. The Commission voiced concern that delivery options must be considerate of older participants who may not wish to access their statements on line.

At this point, trade confirmation will continue to be mailed to participants. Ms. Stevens reminded the Commission that the LADCP website will undergo changes in 2017 under the "Next Generation" emphasis.

UEW Flood Update: Total number of cases reviewed during the period of September 8-November 9, 2016: 200. Total number of Hardship Committee Meetings held: 14. Total amount disbursed for flood: $2,674,603.

Unallocated Plan Asset Account Report – October, 2016: Ms. Stevens reviewed the UPA for the month of October, 2016. Cash balance on hand as of September 30, 2016 was $2,577,075.62. Ending balance as of October 31, 2016: $2,934,293.71. Deductions included NAGDCA expense reimbursement and Wilshire Associates Inc. Additions included interest for the month of October, participant recoveries and mutual fund fees.

3Q16 Case Reconciliation Report: Total revenues received by the Plan as of 9/30/2016: $378,721.56. Total fees due to GWRS per contract: $437,712.00. Net In-Quarter Amount Due to the Plan: -$58,990.44. This is the first time a negative figure appears in this total. The UPA balance is now carrying the Plan, as anticipated. Steps taken by the Commission over a five year period have effectively served to manage the UPA balance against constant growth. Fund stream revenue has been reduced on a continual basis. The Commission established $2.5 Million as the comfortable/ideal UPA balance. The Great West fee is paid on a "per head" basis.

Custom Stable Value Review

3Q16 Economic Outlook: Mr. Gargan presented the Quarterly Stable Value Review in place of Mr. Jack Brown who had a scheduling conflict preventing him from participating in the meeting. Mr. Gargan is a Client Portfolio Manager with Great-West Financial in Separate Accounts. Mr. Gargan's primary responsibility is to serve as a conduit of communication from the investing team to all clients in portfolios that are managed by Great West Financial-Segregated Funds. He also introduced Mr. Nate Simons who was attending the call. Mr. Gargan presented an overview of the economic outlook as it relates to the presidential election. The Republicans have control of the Executive Branch of Government as well as the House and the Senate and the expectation is that there will be one addition to the Supreme Court with a conservative perspective. These changes lend themselves to pro-growth for the US Economy. Significant tax reform and fiscal spending is expected and will contribute to GDP growth over the next couple of years. There is a significant uptick in business and consumer confidence. Rates have spiked since the election and the expectation is that the rate hike will continue in December. In terms of the investment strategy, the portfolio management team is meeting on a regular basis to determine what sectors/asset classes will benefit the most from a change in policies under the Trump Administration. There has been no change in the core economic outlook. As it stands right now, the consumer is the primary driver of GDP growth built on a strong labor and housing market and an increase in consumption. The expectation is for higher GDP growth under the Trump Administration in late 2017.

3Q16 Stable Value Review: Mr. Gargan reviewed the 3Q16 Stable Value Fixed Income Fund performance for the third quarter of 2016. As of September 30, 2016, the size of the portfolio is roughly $660 Million with a healthy market-to-book value of 102.4%. The third quarter rate was 2.4% and it will be 2.35% in the fourth quarter. The overall average credit rating is AA+. The portfolio goal is to remain as duration neutral as possible and to maintain a high level of liquidity to allow for opportunities to lock in higher rates.

Downgraded Securities: Mr. Gargan reviewed the list of downgraded securities in the portfolio which continue to include Lehman Brothers Unsecured Notes and Becton Dickinson & Co Senior Notes. EMC Corp. Senior Notes was recently downgraded as a result of being acquired by Dell, Inc. as part of the largest technology merger in history, forming Dell Technologies. The rating downgrade is a result of the increased leverage associated with the deal. Bill Thornton, Sr. Manager, Client Portfolio Services, recommends retaining the bond in the portfolio as it is the nearest maturity in the company's newly formed capital structure and Dell is committed. Dell has historically proven to deliver rapidly.

Marketing

3Q16 Summary: Ms. Stevens reviewed marketing activity results for the third quarter of 2016. Total new applicants: 837; Total new applicants online: 123. Group Meeting Goal per contract: 975. Group Meetings year-to-date: 1,026 (exceeded annual goal by 51 meetings). Most new enrollments came from the following agencies in 3Q16: LSU Medical Center-New Orleans, LSU HSC (Shreveport), Department of Revenue, Office of Child/Family Services, LSU-Baton Rouge, St. Charles Parish Sheriffs' Office, St. Tammany Parish Clerk of Court (a new clerk was elected which increased activity).

Ms. Stevens reported that since the newsletter is mailed with the statements in January, it will arrive after the January 17th flood hardship deadline. Efforts have been made to announce the deadline via the LADCP website using a web bulletin, web banner and pop-up bulletin. Ms. Stevens has also provided the flood deadline information to all Customer Service staff (Denver and Baton Rouge) so that participants may also receive the deadline information verbally.

Other Business

Education Retreat: Ms. Stevens reviewed a draft agenda for the December 13th retreat. One of the topics to be addressed at the retreat will be the renewal of the 90 day Flood Emergency Rule to prevent the ruling from expiring in December. The agenda includes designation of a nominating committee. The Participant Member seat currently held by Laney Sanders expires on June 30, 2017. The retreat will be held at the Ione Burden Conference Center from 9:00 a.m. to 3:00 p.m. Ms. Stevens invited Commission members to attend a dinner the night before the retreat (December 12).

Ms. Sanders announced that LASERS has developed a video to assist participants in understanding the differences between deferred comp plans and defined benefit plans and why both are needed. Ms. Sanders will be featured in the video which will be available on the LASERS' website.

Adjournment

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 11:19 a.m.

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Virginia Burton, Secretary