

MINUTES

Louisiana Deferred Compensation Commission Meeting November 15, 2011

The Monthly Meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, November 15, 2011, 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
Len Riviere, Designee of Commissioner of Financial Institutions
Troy Searles, Participant Member

Members Absent

Robert Henderson, Participant Member
Whit Kling, Vice-Chairman, Designee of the State Treasurer

Others Present

David Lindberg, Consultant, Wilshire Associates, Inc. (*By conference call*)
Richard McGimsey, Director, Civil Division, Louisiana Dept. of Justice
Connie Stevens, Regional Director, Baton Rouge GWRS
Donnie Roberts, Account Executive, Baton Rouge GWRS
Jo Ann Carrigan, Lead Office Coordinator, Baton Rouge GWRS

Call to Order

Chairman Bares called the meeting to order at 9:58 a.m.

Approval of Commission Meeting Minutes of October 11, 2011

The minutes of October 11, 2011 were reviewed. Ms. Hubbard motioned for acceptance of the minutes. Mr. Riviere seconded the motion. The Commission unanimously approved the minutes.

Minutes
Louisiana Deferred Compensation Meeting
November 15, 2011
Page 2 of 7

Acceptance of Hardship Committee Reports of October 7, 2011 and November 4, 2011

Ms. Burton motioned for acceptance of the Hardship Committee Reports of October 7, 2011 and November 4, 2011. Ms. Hubbard seconded the motion. The Commission unanimously approved the reports.

Amendment to Agenda: Discussion related to the statutory makeup of the Board presented by David Lindberg

Mr. Riviere motioned to amend the agenda. Mr. Searles seconded the motion. There was no objection. Roll-call was taken of the Commission members.

Title 42 Statute: The scope of services currently provided should be outlined in the upcoming RFP so that all “bidders” could include similar information in their bid. The statute is fairly broad and does not specifically prohibit the hiring of staff. Mr. McGimsey pointed out Section 1303, Powers and Duties of the Board, follows the intent of the Board using contracts to exercise the powers and duties of selecting for investments, etc. There is a provision in 1303-2, that states that the Board has the power to select the administrator, to enter into a contract with such firm and to do all things that may be required in order to insure proper administration of the Plan. Section 7 directs the Board to make use of the expertise, knowledge and resources of any state officer, employer or agency. The intent is to use the authority that the Board has to enter into contracts to provide these services. Mr. Lindberg stated that we probably don’t want to do this any way other than how we are doing it now. A draft of the scope of services of the RFP will be presented at the December, 2011 Commission Meeting. From a practical standpoint, there is no time to explore the possibility of the State of LA providing administration for the Plan nor would the State be interested in developing a staff to do this. On the backside, any agreements that are in place are always subject to some termination provisions if the Board decides later to explore that. As a result, Mr. McGimsey and Mr. Lindberg recommend that it is best to move forward with the existing model so that the RFP can be presented as quickly as possible. The scope of services as stated in RFP would then be required of all other bidders to provide all the staffing services that Great West is currently providing.

Mr. Searles requested clarification related to the service provider acting as a fiduciary. Mr. Lindberg stated that the recordkeeper/administrator will likely not act as a fiduciary from a recordkeeper standpoint. Fiduciary status is required when there is asset management involved. Ms. Burton requested that this be clearly outlined in a table format so that the roles of co-fiduciary and administrator are understood. Mr. McGimsey

Minutes

Louisiana Deferred Compensation Meeting

November 15, 2011

Page 3 of 7

and Mr. Lindberg will work together to provide this information using as reference the handout previously provided by Marilyn McCollister of Great-West and the NACDGA website. Ms. Stevens will recirculate this document and another handout to the Commission members.

Mr. Lindberg confirmed that Wilshire has an existing RFP “framed up” from the Wilshire resources which will allow the Commission to “pick and choose” the services desired. Mr. Lindberg will email this document to the Commission members prior to the December, 2011 meeting for review.

Administrator’s Report

Plan Update as of October 31, 2011 was presented by Ms. Stevens. Assets as of October 31, 2011: \$1.092 billion. Asset change YTD: \$41.54 million. Contributions YTD: \$85.41 million (slightly under the 2010 number of \$87.22). Distributions YTD: \$55.42 million (vs. \$49.15 in 2010). Net Investment gain YTD: \$11.55 million. Through State Payroll, the Governor’s Office has been inquiring about Deferred Compensation related to contributions and the number of participants who actually contribute. The numbers requested were for anyone paid by the State (ISIS and non-ISIS payrolls).

Participation by Asset Class and Investment Option: Stable Value: 50.7%. By number of participants and assets in the International category, the highest fund is American Funds Capital World Growth and Income. Mid-Cap: Touchstone Mid Cap Growth has the most participants and is almost even with the Ariel Appreciation Fund in amount of assets. Large Cap: American Funds Growth Fund has the most participants but Blackrock Russell 1000 is highest in assets.

Plan Review for period ending October 1, 2010 to September 30, 2011:

Assets as of September 30, 2011: \$1,037 billion. Assets as of October 31, 2011: \$1,092 billion (a difference of \$55 million in one month). Contributions: \$105 million; Distributions: \$66 million; Net Investment gain: \$6 million (flat). Participants: 40,330 (this includes anyone who had an account balance during this 12 month period). Asset growth has been very good from September 30, 2010 (\$992 million) to September 30, 2011 (\$1,037 billion). Asset History: The average account balance is increasing and is currently at \$26,384 (vs. \$25,676 in 2010). LifePath Funds: Number of participants: 6,125; Number of assets: \$81 million. Fixed Fund Rate is drifting down. There was a 15 basis point difference between the second and third quarter, with the current interest

Minutes
Louisiana Deferred Compensation Meeting
November 15, 2011
Page 4 of 7

rate at 3.4%. There were tremendous gains in the October equity market. Bonds: BlackRock US TIPS Fund YTD: 12.63% reflecting the effect of inflation. Contribution History: Contributions are flattening out. Percentage of Contributions by Asset Class: Fixed (Stable Value) is the largest contribution asset class at 46% with \$48.38 million going into Stable Value. Plan Participation as of 9/30/2011 is 40,330. The current participation count as of November 14, 2011 is 36,519. The difference can be attributed to distributions (participant generated and DeMinimis). Benefit Payment Distribution: There has been an increase of 31% of full withdrawals (855 participants more in 2011 than 2010). This can be attributed to a variety of reasons such as purchase of service credit, DeMinimis and retirement. Partial withdrawals: Last year, there were 184 purchase of service/partial withdrawals in 2010 vs. 222 since the law changed July, 2011. Loans have increased both in balance and number of participants. KeyTalk calls in 2010: 28,776 vs. 2011: 22,903. Reality Investing: Older participants use "Advice", and age group 30-34 use Managed Accounts more. Advised Assets Group services taper off at retirement. In all markets/business, Great-West has 4.4 million participants. Great-West renewed relationships in 2010 with Wisconsin, Alaska, City of Torrence, Lane County and established new relationships with Washington, New Hampshire and South Carolina.

Commission Activity Fund (CAF)-October: Two Commission members who attended NAGDCA in September were reimbursed for travel. Wilshire was paid their quarterly fee. Cash balance at the end of October: \$2,834 million. Marilyn Collister has issued a "Focus on 457" email that dealt specifically with revenue sharing. The email has been forwarded to Wilshire and all members of the Commission. The balance in the CAF Account at the beginning of the year was: \$2.346 million. The balance as of October 31, 2011: \$2.834 million.

Third Quarter Fee Reconciliation Statement: Total amount collected from participants in quarterly asset fee (graded based on balance) as well as the low-balance fee of \$3.75 per participant: \$399,591. From the investments, the CAF account collected from Mutual Funds, BlackRock and Stable Value as follows: 1st quarter: \$259,234; 2nd quarter: 245,527; 3rd quarter: 157,641. The decrease in fees is attributable to the lower cost funds that the Commission added, the BlackRock investments removal of all revenue sharing and the Stable Value Fund decreasing revenue sharing by half. The cash-flow

Minutes
Louisiana Deferred Compensation Meeting
November 15, 2011
Page 5 of 7

will continue to decrease in the future. The total fee on the Stable Value Fund is: 19 Basis Points (5 Basis Points is the wrapper and 14 Basis Points is the management) plus Revenue Sharing at 6 Basis Points = 25 Basis Points.

Economic and Capital Markets Review-Third Quarter, 2011: Highlights of events occurring in the economy: The Inflation Number is at 3.8% for the twelve months ending in August (gasoline and food are primarily the reason for this). Unemployment remained at 9.1% at the end of October. Housing starts decreased 5% from the July measure. European factors affecting the economy were the sovereign debt in Greece and Italy. Italy's debt rating was cut three levels by Moody's. Market update: Domestic Equity: The message is that investments must be made for the long-term rather than the short-term since the gains are found in the 5-10 year range. International Equity: Japan bounced back from their post-tsunami lows. Fixed Income: Investors eyed inflation as a possible risk as the TIPS sector saw the best performance for the quarter.

Stable Value Review as of September 30, 2011: The Market to Book Value of the assets is at 106%. Crediting rates are coming down. Ms. Stevens recommended scheduling a presentation by Al Cunningham of Advised Assets Group at the December or January Commission Meeting regarding the Stable Value Fund. A letter was received by Emery Bares from Al Cunningham noting holdings that fall outside of the investment policy statement. Lehman Brothers remains in this category and the recommendation is to continue holding the security in anticipation of the bankruptcy workout and a recovery rate higher than the current market prices. The Lehman Brothers bond is not currently rated.

Securities sold in the month of September, 2011: Two FHLM bonds were sold.

DeMinimis: There are approximately 119 participants who have no current addresses but still have a balances totaling \$130,000 in all. Attempts have been made to locate current addresses but without success. Mr. Kling previously suggested that these accounts be forced into escheatment so that the funds become property of the State. The Great-West Legal Dept. reviewed this suggestion. It was determined based on previous rulings by the Dept. of Labor that this is an aggressive move that favors the Plan Sponsor

Minutes

Louisiana Deferred Compensation Meeting

November 15, 2011

Page 6 of 7

and not the participant. The goal is to stop having fees charged to the Commission per participant as well as quarterly fees charged to the participant. An alternative suggestion is to move these accounts into the CAF Account by use of a different money type to be held separately (not to be co-mingled with the regular CAF Account assets). If one of these participant requests to receive funds, Great-West could locate the assets for distribution. This would solve the issue of getting them off of the books for fee purposes and addresses the Dept. of Labor issue. There is a risk involved in this practice if the participant is in the market vs. Stable Value. Recommendations from the Commission: Send a final letter to participants of action that is going to be taken; Access websites such as Social Security to determine if participants are deceased. Ms. Hubbard and Mr. McGimsey will forward web services that they have used in the past for our use in locating updated addresses/deceased status.

Marketing Report as of October 31, 2011

There were 128 applications taken in at an average per application of \$3,540. YTD: 1,600 applications received. Increases and restarts: 84 received at an average per application of \$6,000 which is high primarily because of 300 hours payments on final paychecks. YTD: \$4,506 which is about even with Plan totals for last year. New enrollments: Most activity was from hospitals and higher education. Donnie Roberts, Account Executive for the southwest portion of the state, presented information related to his region. Mr. Roberts has been in this region for one year and relationships have been established. Agencies that have been the most receptive to the Plan are: Phelps Correctional allows Mr. Roberts access every 90 days. Huey P Long Hospital in Pineville has invited Mr. Roberts to conduct group presentations twice a year. Port of Lake Charles has a luncheon scheduled every 90 days and Mr. Roberts has been invited to speak at two luncheons per year. Public hospitals such as UNC-Lafayette, Moss Regional and West Calcasieu in his territory are visited about every 90 days by Mr. Roberts. A meeting has been set up with the Chief Financial Officer of St Landry Sheriff's Dept for next month to discuss joining Deferred Comp for the year 2012. Mr. Roberts also attended the RESA Convention in Marksville this year and met many former members (retirees).

Other Business

2012 IRS Limits: The contribution limits for 2012 are: \$17,000 (up from \$16,500 in 2011) for under 50 years of age; \$22,500 (up from \$20,000 in 2011) for over 50 years of age. Standard CatchUp: \$34,000 (up from \$33,000 in 2011). The IRS increases in \$500 increments based on inflation.

Minutes

Louisiana Deferred Compensation Meeting

November 15, 2011

Page 7 of 7

Appointment of an RFP Committee: Mr. Bares recommended a committee be established to assist Mr. Lindberg and Ms. Felicia Bennett on the upcoming RFP. The committee would consist of: Mr. Riviere, Mr. Kling and Ms. Burton. Ms. Burton motioned that a committee be established consisting of the members noted. Mr. Searles seconded the motion. There was no objection and the motion was approved.

December 13, 2011 Retreat: The location of the Retreat will be at the Burden Center in the Rural Life Museum, a building located further back on the property. The meeting is scheduled for 9:00 a.m. until 3:00 p.m. Mr. McGimsey will be the guest speaker discussing the topic of RFP.

Adjournment

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 11:03 a.m.

Virginia Burton, Secretary