

# MINUTES

## **Louisiana Deferred Compensation Commission Meeting February 24, 2015**

The Monthly Meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, February 24, 2015 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  
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

### **Members Absent**

Virginia Burton, Secretary, Participant Member  
Lela Folse, Designee of the State Treasurer

### **Others Present**

Rick McGimsey, Louisiana Attorney General's Office  
Perry Christie, VP PNP, Major Accounts-Denver, Empower Retirement  
Bill Thornton, Sr Mgr Client Portfolio Svcs AAG, Denver, Empower Retirement *By Conference Call*  
Connie Stevens, Client Relationship 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 10:03 a.m.

### **Approval of Commission Meeting Minutes of January 20, 2015**

The minutes of January 20, 2015 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 February 6, 2015**

Mr. Kling motioned for acceptance of the Hardship Committee Report of February 6, 2015. Mr. Riviere seconded the motion. The Commission unanimously approved the report.

**Public Comments:** No member of the public was in attendance.

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**Administrator's Report**

**Plan Update** as of January 31, 2015 was presented by Ms. Stevens. Assets as of January 31, 2015 \$1,430.60 Billion. Asset change YTD: -\$7.13 Million, Contributions YTD: \$8.17 Million. Distributions YTD: \$8.86 Million. The Net Investment Adjustment YTD was: -\$6.44 Million.

**Plan Review 4Q14** was reviewed by Ms. Stevens. Distributions exceeded contributions in 2014 by approximately \$2 Million. Ms. Stevens pointed out that the current participation rate with state employees is 24%. It is the objective of the LA Deferred Compensation Plan to increase this percentage in 2015 as this figure unfavorably compares to other states that generally see a participation rate of over 30%. Mr. Christie made the observation that, in general, states are reluctant to use state emails to communicate deferred compensation as a benefit to employees. Empower Retirement would be available to assist in crafting communication to be sent by the State of LA. Mr. Kling noted that all state employees should be given the opportunity to know about the program, whether or not they choose to participate. Ms. Stevens will be presenting at the SHRMA Meeting on February 25<sup>th</sup> to discuss the possibility of sending out emails advising participants of Deferred Compensation. Beyond that, Ms. Stevens' team will be meeting individually with undersecretaries and HR Departments on a one-on-one basis in hopes of gaining greater access to state employees. Ms. Stevens pointed out that asset growth since 2013 is the result of a "Bull Market" as there is still growth in the Plan even though distributions have surpassed contributions. In 2014, there were 37,599 participants with an average balance of \$38,172. The average number of investment options per participant has grown from 3.5 to 4.6 per participant within the past five years as a result of asset allocation, education and Managed Accounts/Reality Investing tools. The percentage of Assets by Asset Class reflects 43.8% of every dollar is in Stable Value. The trend is that younger employees are starting to use the Target Date Funds instead of placing their money in Stable Value which reflects a greater understanding of investments. The Fixed Funds rate has leveled out at 2.5% which remains very attractive considering the interest rate environment. There are 21,423 contributing participants in the Plan with an average annual contribution of \$4,466. The average number of investment options on a contribution basis per participant has grown from 3.5 to 8.6 in five years. The Plan has lost approximately 3,500 participants over a five-year period which is a trend throughout the nation. This figure reflects DeMinimis distributions and the closing of public hospitals in LA. Loan automation of procedures since July 2014, has limited the number of loans taken by participants. Service Utilization by Number of Participants in Reality Investing reflects 8,100 in Managed Accounts and 66 participants taking advantage of the Advice service.

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**Unallocated Plan Account Review – January, 2015:** Ms. Stevens reminded the Commission that on February 26-27, 2015, mutual fund fees will be changing to lower cost-share classes. Participant recoveries, which will appear in March, are being slightly reduced.

**Case Reconciliation 4Q14:** The total fees collected from participants: \$396,422.92. Total revenue share collected: \$127,524.24. The total deposit to the Plan account from investments and participant accounts: \$523,947.16. Great-West was paid \$428,388 in the 4<sup>th</sup> quarter for the recordkeeping fee leaving a Net In-quarter amount of \$95,559.16. The total Great-West and Reality Investing Revenue: \$953,134.35.

### **Custom Stable Value**

**Economic Review and Outlook:** Mr. Thornton presented the Economic Review and Outlook report to the Commission. Mr. Thornton pointed out that there is slow economic growth worldwide. The United States is the strongest of developed global economies. Housing continues to expand but not at a great rate (4.5%). Global rates are projected to remain low.

**4Q14 Review:** Mr. Thornton reviewed the Stable Value Fixed Income Fund Quarterly Report with the Commission. Performance has been good with no significant changes. The expectation is that the yield-curve will flatten slightly. The market value to book is solid. This is the third quarter in a row with the rate of 2.5%. There were no changes to the exceptions noted related to the three securities: Lehman Brothers Bond, Western Union and France Telecom (Orange). These securities will be held to maturity. Securities sold in the LA Stable Value Portfolio in November, 2014: FNMA Pool 3.5% due 10/1/2042 and Met Life Global Funding secured by float notes due 7/15/2016.

### **Marketing Report**

Ms. Stevens reviewed the Marketing Report for the month of January, 2015. There were 207 new applications, averaging \$3,621 per application and 580 increases, averaging of \$8,797 per application. The majority of activity in January came from the following agencies: Lafayette Clerk of Court, St Charles Parish Sheriff's Office, Madison Tallulah Ed Center, LSU-Baton Rouge, LSU-HSC New Orleans and State of LA-Judiciary Department. School Boards are slowly adding to the Plan. Of the participating School Boards, if there is already an active 457 Plan, they are usually adding the LA Deferred Comp Plan instead of discontinuing one. There is no penalty if a School Board chooses not to offer the LA Deferred Compensation Plan.

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#### **Other Business**

**Election Update:** Ms. Stevens reported that the Nominating Committee met on Friday, January 23, 2015. The Committee consists of Ken DeJean, Carl Berthelot and Kent LaPlace, Chairman. There are two terms available. One term is of a two-year duration for the vacated position previously held by Troy Searles. The Nominating Committee nominated Laney Sanders for this position. Ms. Burton was nominated for re-election for the three-year period that she currently holds. Mitchell Garlington, an employee of the School Employees Retirement System has expressed a desire to run and submitted a petition to do so. Mr. Garlington will be on the ballot with Ms. Sanders in the June upcoming election. Ms. Stevens requested a change in the format of the petition used by candidates wishing to be nominated. The process requires twelve participant signatures along with the last four digits of each person's Social Security Number. Ms. Stevens suggested that the petition be revised requesting the participant's employer instead of the participant's Social Security Number. Ms. Stevens is responsible for verifying that each signature represents a participant in the Plan. The Commission agreed to approve the suggested changes to include: Name, Signature and Last Employer. Duplantier, Hrapman, Hogan and Maher, LLP was approved to count the ballots as they have done previously. This firm is available on an "as needed" basis and charges a "flat fee" to count and certify the ballots received. Ms. Stevens will contact the firm and finalize the arrangements at the March meeting. The ballots will be included in the 1<sup>st</sup> Quarter Statements which will be mailed in April.

**Memorial Resolution for Theresa Myers:** Ms. Stevens presented a draft of the Memorial Resolution for Theresa Myers. Mr. Kling motioned to adopt the resolution. Ms. Hubbard seconded the motion. The Commission unanimously approved the resolution. The resolution will be printed, framed and mailed to Ms. Myers' family with a note from the Commission. Mr. Christie shared that one of the conference rooms in the Denver office has been named after Ms. Myers. Ms. Myers's family donated framed marathon posters purchased by Ms. Myers to hang in the conference room that now bears her name.

**Change in Schedule of the May, 2015 Meeting:** Ms. Stevens changed the date of the May, 2015 meeting to May 12<sup>th</sup> from May 19<sup>th</sup>. A notice will be sent to all Commission Members reminding them of this change.

#### **Adjournment**

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 11:04 a.m.

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Virginia Burton, Secretary