

# MINUTES

## Louisiana Deferred Compensation Commission Meeting December 17, 2013

The Monthly Meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, December 17, 2013, at the LSU Rural Life Museum, 4560 Essen Lane, Baton Rouge, Louisiana 70809.

### **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

### **Not Present**

Whit Kling, Vice-Chairman, Participant Member  
Lela Folse, Designee of the State Treasurer

### **Others Present**

Brent Neese, Sr. Vice President, Government Markets – Denver, GWF  
Perry Christie, VP PNP Major Accounts – Denver GWF  
Marilyn Collister, Sr. Legislative & Regulatory Affairs Director – Denver, GWF  
Steve Caruthers, Equity Investment Specialist, Capital Group (parent company of American Funds)  
Michael Bowman, Sr. VP, Capital Group (parent company of American Funds)  
Michael Consorte, Sr. Institutional Relationship Specialist, Capital Group (parent company of American Funds)  
David Lindberg, Consultant, Wilshire Associates, Inc.  
Bill Thornton, Sr. Manager Client Portfolio Services AAG – Denver GWF  
Lindsey Hunter, Louisiana Attorney General's Office  
Connie Stevens, Director, Client Relations and Plan Counseling, Baton Rouge GWF  
C. David Arriaza, Key Retirement Plan Consultant (KRPC), Baton Rouge – GWF  
Beau Bordelon, RPC, Baton Rouge – GWF  
Chris Burton, Key Retirement Plan Consultant (KRPC), Baton Rouge – GWF  
Donnie Roberts, RPC, Baton Rouge – GWF  
Grady Savoie, RPC, Baton Rouge – GWF  
Reggie Wheeler, RPC, Baton Rouge - GWF  
Jo Ann Carrigan, Lead Office Coordinator, Baton Rouge GWF

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**The New Geography of Investing:** Mr. Caruthers served as the keynote speaker reviewing a paradigm shift over the past 50 years in portfolio evaluation and construction. The new geography in the investible universe is based on where companies are doing business instead of where they are located. Mr. Caruthers presented the following suggestions when considering portfolio construction: think globally, consider flexible mandates, be careful of tactical country or region-specific shifts, develop a revenue-based approach for portfolio analysis and consolidate and simplify asset allocation strategies.

**Reorder of Agenda:** Ms. Burton motioned to reorder the printed agenda to present “Roth 457” prior to “Participant Behavior and Contract Review” to accommodate travel schedules of scheduled speakers. Mr. Searles seconded the motion. The Commission unanimously approved the motion.

### **Education: “Alternative Investments in Defined Contribution Plans”**

Mr. Lindberg presented information in response to questions raised during the October, 2013 Commission Meeting regarding alternative investments in Defined Contribution Plans. Mr. Lindberg noted that “DC” Plans are becoming the primary retirement savings vehicle for many Americans. Overall, approximately 65% of investments in DC Plans are in equities (unlike the LA Def Comp 457 Plan which is roughly half Stable Value and half equities). 95% of participant risk is equity driven risk. Alternative investments (real assets, private equity and hedge funds) have typically been reserved for institutional portfolios that are not directed by individual participants, such as defined benefit pension plans. The use of alternatives in DC Plans is still limited, however, new products continue to come to the market and this may be something to explore in the future.

### **Fiduciary Training**

Ms. Collister reviewed “best practices” noting that fiduciaries are held to the highest standard of conduct under the law and can be personally liable. Typically, most infractions are not deliberate and are the result of not knowing their responsibilities as a fiduciary. Great-West uses ERISA fiduciary principles as a best practice even though governmental plans are not subject to ERISA. Ms. Collister identified the fiduciary as anyone who works on the plan that exercises discretionary authority or control over either plan administration or the assets, i.e. decision makers in regard to the Plan. Ms. Collister presented a list of ten fiduciary best practices noting that these practices are currently in place with this Plan. The “Exclusive Person Rule” is the fiduciary’s primary obligation

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in complying with the “Prudent Person Rule.” Ms. Collister offered to make her slide presentation available by email to Commission members.

**Stable Value Portfolio Review**

Mr. Thornton reviewed the Stable Value Fund stating that it is a separate account held for the exclusive benefit of the Louisiana Deferred Compensation Plan and its participants. Great-West is the single wrap provider of the Plan. The objectives of the Stable Value Fund are to preserve principal and interest income, provide adequate liquidity for participant benefits and to provide interest rates that move in the direction of prevailing rates. Cathe Tocher, CFA, CIO, Segregated Funds, is in charge of overall strategy for the Great-West Stable Value Fund. Mr. Thornton summarized the Stable Value Fund as a fund that is being managed within policy, has a high investment quality, has had historical returns above market rates and is positioned for modest increases in market interest rates.

**Great-West Presentation**

Mr. Neese thanked the Commission for the opportunity to serve the state of Louisiana and expressed gratitude for the long-term relationship between the Plan and Great-West Financial. Great-West currently serves 20 of the 50 states. Recently, Great-West has worked with Boston College to sponsor a paper on retirement readiness in the public markets to debunk the myth that all public employees have secure pension plans in place for retirement. Great-West’s mission is to advocate for policies and processes to change Defined Benefit Plans to Defined Contribution Plans noting that these plans are no longer supplemental in nature but a necessary part of retirement preparation. Great-West is leveraging behavioral-based work in the industry that is reframing the way people make decisions relative to Defined Contribution Plans. Mr. Neese stated that money and resources have been placed into the development of a new website that includes a “Retirement Income Control Panel” and a “Retirement Readiness Report Card” to become available in 2014. Mr. Neese extended thanks and appreciation from Theresa Myers, Vice President, PNP Client Relations, for the support of the Commission as she recovers from a serious illness.

**Roth 457**

Ms. Stevens stated that participants are eager to have a Roth option added to the Plan (emails from participants were presented). The Roth 457 has two components: 1) Contributory (participant elects to contribute to the 457 Plan directing the money to Roth); 2) In-Plan Conversions. The Plan document has been amended to allow for a Roth option within the Plan. The Commission now must decide whether or not to offer Roth

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to participants. Once this decision is made, a timeline must be established to include extensive education to participants and payroll departments. Governmental agencies have the option to refuse to offer Roth to participants. Ms. Collister presented a recently released IRS notice that provided guidance on rollovers within a governmental 457(b) plan. The guidance covered in-plan Roth rollovers of amounts otherwise nondistributable (effective January 1, 2013) as well as all in-plan Roth rollovers. Ms. Burton made a motion to begin offering Roth in the Plan for new contributions only, at this time. Ms. Hubbard seconded the motion. The Commission unanimously approved the motion. Ms. Stevens reviewed the Government 457(b) Roth and In-Plan Roth Rollover Election Form with the Commission to be completed and submitted in January. Ms. Stevens will present at the January meeting, sample forms from other plans who are offering Roth to determine how to revise current contribution paperwork. Ms. Hubbard will arrange for updating of state payroll files.

### **Participant Behavior**

Ms. Stevens presented a study on participant behavior in which five generations were identified: Senior, Forgotten, Baby Boomers, Generation X and Echo Boomers. Each generation has unique behavioral patterns and retirement expectations. The Baby Boomers will be the next generation of retirees. Ms. Stevens stated that it is imperative that marketing be tailored to address the needs and behavioral patterns of participants.

### **2013 Contract Review**

Ms. Stevens reviewed operational efficiencies incorporated into operational procedures in 2013. The campaign to automate payrolls has resulted in 74% of non-automated payrolls converting as of December 10, 2013. All participant forms have been updated to reflect the Denver office address resulting in less paperwork received in the Baton Rouge office – processing is now completed electronically. Participant forms have been added to the website resulting in fewer forms being mailed. Faxing in the Baton Rouge office is now available via the copy machine and at individual work station computers. Salary Deferral payroll confirmations are now sent electronically instead of via the postal service. “Guided Experience” is now available through the home office for the purpose assisting participants in completing forms. All new enrollments from participants of non-ISIS payroll departments are faxed to Denver for inputting with the Baton Rouge staff proofing the work for accuracy. Non-ISIS payrolls are being instructed on how to enter termination dates into the system. Ms. Burton suggested that the information presented be included as part of Wilshire’s Plan Administrator report card.

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**Call to Order**

Chairman Bares called the meeting to order at 2:16 p.m.

**Approval of Commission Meeting Minutes of November 19, 2013**

The minutes of November 19, 2013 were reviewed. Ms. Hubbard motioned for acceptance of the minutes. Mr. Riviere seconded the motion. The Commission unanimously approved the minutes.

**Acceptance of Hardship Committee Report of December 13, 2013**

Ms. Burton motioned for acceptance of the Hardship Committee Report of December 13, 2013. Ms. Hubbard seconded the motion. The Commission unanimously approved the report.

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

**Evaluation Committee Report**

Ms. Burton reported that the Evaluation Committee and presented a draft of the Annual Evaluation of the Plan letter to be approved by the Commission with an amendment that that an SSAE16 review be included in future audits. Ms. Burton motioned to accept the letter as amended. Mr. Riviere seconded the motion. The Commission unanimously approved the minutes. Scanned signatures of Evaluation Committee members are acceptable.

**Administrator's Report**

**Plan Summary** as of November 30, 2013, was presented by Ms. Stevens. Assets as of November 30, 2013: \$1,351.90 Billion.

**Unallocated Plan Assets:** Ms. Stevens presented the UPA Account activity for November 30, 2013. The cash balance on hand as of October 31, 2013 was \$3.775 Million. The cash balance on hand as of November 30, 2013 was \$3.346 Million. November additions included: interest and Gain on Contribution Corrections. Deductions included Great-West recordkeeping fees for the 3<sup>rd</sup> quarter.

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**Loan Discussion:** IRS 72P states that defaulted loans within the Plan must remain in “active” status with ongoing fees. Only a qualifying event, i.e., severance of employment, can stop the fees from being accrued. The release of a 1099 is not considered a qualifying event. Going forward, Ms. Stevens will review the defaulted loan file and automatically “offset” loans of participants who have severed employment. Even though the Plan document clearly states that loan payments are to be payroll-deducted only, the Plan has and continues to offer non-payroll deducted payments (coupons). Ms. Hunter stated that coupon payments do not comply with the Plan document. Ms. Burton motioned that all new loans be subject to payroll deducted payments only. Mr. Riviere seconded the motion. The Commission unanimously approved the report. Payrolls will be notified of this change in procedure in a written communication during the month of January.

**Other Business**

**Designation of Nominating Committee:** Mr. Riviere motioned to designate Mr. Bares and Ms. Stevens to select Nominating Committee members. Ms. Burton seconded the motion. The Commission unanimously approved the report. Mr. Searles is up for re-election in June, 2014.

**2014 Commission Meeting Schedule:** The schedule reflects meeting dates of the third Tuesday of each month. The Commission will discuss at a later date whether to cancel the September meeting as it conflicts with the annual NADGCA Conference.

**Adjournment**

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 2:40 p.m.

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Virginia Burton, Secretary