

# MINUTES

## **Louisiana Deferred Compensation Commission Meeting February 18, 2014**

The Monthly Meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, February 18, 2014 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  
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

### **Not Present**

Troy Searles, Participant Member

### **Others Present**

Perry Christie, VP, PNP Major Accounts, Denver, GWF  
Bill Thornton, Sr Mgr Client Portfolio Svcs AAG, Denver-GWF (*by Conference Call*)  
Lindsey Hunter, Louisiana Attorney General's Office  
Connie Stevens, Director, Client Relations and Plan Counseling, Baton Rouge GWF  
Jo Ann Carrigan, Lead Office Coordinator, Baton Rouge GWF

### **Call to Order**

Chairman Bares called the meeting to order at 10:01 a.m.

### **Approval of Commission Meeting Minutes of January 21, 2014**

The minutes of January 21, 2014 were reviewed. Ms. Burton motioned for acceptance of the minutes. Ms. Hubbard seconded the motion. The Commission unanimously approved the minutes.

### **Acceptance of Hardship Committee Report of February 7, 2014**

Mr. Riviere motioned for acceptance of the Hardship Committee Report of February 7, 2014. Ms. Burton seconded the motion. The Commission unanimously approved the report.

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

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#### **Administrator's Report**

**Plan Summary** as of January 31, 2014 was presented by Ms. Stevens. Assets as of January 31, 2014: \$1.350 Billion. Asset change YTD: -\$16.50 Million. Contributions YTD: \$8 Million. Distributions YTD: \$9.75 Million. Ms. Stevens noted that January is typically a heavy month for distributions. The Net Investment loss YTD was: -\$14.73 Million.

**4Q13 Plan Review** as of December 31, 2013 was presented by Ms. Stevens. Asset Components: \$102.15 Million in contributions; \$104.84 Million in distributions; Net Investment Gain: \$158.18 Million. Asset History as of December 31, 2013: Assets totaled \$1,363 Billion (12.87% increase from 2012); Number of participants: 38,186 with an average account balance of \$35,702 (due in part to 300 hour rollovers, Excess Leave and DeMinimis clean-up). The number of active participants in the Plan has decreased by 3,111 participants since 2009 (41,297 vs. 38,186) due in part to DeMinimis and hospital closures in 2013. The average account balance has increased by \$13,545 from 2009 to 2013 (\$22,157 vs. \$35,702). The number of participants in LifePath Funds decreased due to the number of full distributions requested in 2013. There were 222 DeMinimis in 2013 and approximately 500 full distributions from participants affected by hospital closures. Fixed Fund Rates: 2.55% as of 12/31/2013. Contribution history for 2013 was slightly more than in 2012 (\$102.15 Million vs. \$100.21 Million). Ms. Stevens stated that the focus in 2014 will be to add more participants to the Plan thus stopping the steady decrease of actively contributing participants in the Plan (26,199 in 1994 vs. 22,685 in 2012). The ability for active State employees to schedule regular increases at a specific time was added to the Great-West Financial website in 2013. There were 3,469 participants with loans for the period ending December 31, 2013. Great-West Financial automatically offset loans of 80 participants who had left employment and defaulted on loans in 2013. There was a significant increase in the number of calls received by KeyTalk in 2013 (30,780 in 2013 vs. 20,538 in 2012). Total log-ins on to the website has increased by 50,000. Managed Accounts was very popular in 2013 due to market gains.

**Archive Report Corrections 2013:** Corrected copies of pages 4 and 5 from a previously submitted archive report (January, 2014) were included in the report binder. The previous report was missing column headers.

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**4Q13 Case Reconciliation** was presented by Ms. Stevens. Fees deducted from participant accounts including the graded and \$2.50 flat fee totaled \$389,881 during the fourth quarter of 2013. Mutual fund fees received by the Plan totaled \$119,000. The calculated Great-West revenue (fund revenue) was \$119,505. (There was a fund change in May of 2013 which reduced this fee to zero.) Total deposits to the Plan between participants and revenue totaled \$509,386 a decrease from previous quarters due to fund changes recommended by Wilshire and approved by the Commission. The net amount going into the Plan during the 4<sup>th</sup> quarter was \$77,758.38. Total Great-West and Reality Investing Revenue for the 4<sup>th</sup> quarter was \$925,397.

**Unallocated Plan Asset Report-January, 2013:** Ms. Stevens reviewed the Unallocated Plan Asset Report for the month of January. The cash balance on hand as of December 31, 2013 was \$3.354 Million. Additions included mutual fund fees, participant recoveries and interest which totaled \$516,695. Deductions during the month of January included LA Dept. of Justice, Wilshire Associates Inc. and NAGDCA totaling \$25,600. The ending balance was \$3.845 Million.

### **2014 Strategic Partnership Plan**

Ms. Stevens presented the Strategic Partnership Plan highlighting what the Plan needs to continue thriving including a comparison to other plans. Great-West has grown to include 29,000 Plans with more than 4.8 Million participant accounts. Total of plan assets administered for Great-West is \$206.8 Billion. Great-West has rebranded to RetireBright Behavioral Based Solutions as a result of studying the market for participant behavioral patterns. Ms. Stevens reviewed Plan designs and industry trends, Lifetime Income Replacement, Plan Benchmarking and Plan Action Items with the Commission. 76% of all workers surveyed say they are not at all confident about their ability to secure a financially comfortable retirement. In Louisiana, 28% of employees who are eligible to participate in the Plan actually do so (vs. 26% nationally). Action items highlighted by Ms. Stevens included, participation, retention and life-time income.

### **4Q13 Custom Stable Value Review**

Mr. Thornton presented the 4Q13 Stable Value Fixed Income Fund report which included a new format and additional information. There are a little over 400 securities in the portfolio with a market value of \$630 Million as of the end of 2013. It is the tenth consecutive quarter that credit rates have come down – industry-wide.

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**Economic Review and Outlook** was reviewed by Mr. Thornton noting a change in report format which included more graphics. The first “Fed” taper (quantitative easing designed to drive growth in the economy) was last month. Objectives have been realized: growth in GDP and taking deflation “off of the table.” The effect on interest rates has worked to drive down interest rates on treasury yields especially on the short-term side. Commercial Mortgage Backed Securities (CMBS) was the “winner” in 2013. Fixed Income/US Government bonds had the worst performing year since 1994 as far as returns are concerned. Mr. Thornton reviewed the outlook for the economy in the near future noting a gradual increase in GDP and interest rates, low policy rates, modest growth in earnings and fixed income generating negative performance (rising rates not fully offset by spread performance). The strategy for the fund is curve positioning, targeting credit overweight, targeting MBS neutral/underweight and targeting cash flows along the curve.

### **Marketing Report**

Ms. Stevens reviewed the Marketing Report for the month of January, 2014. There were 143 new applications received during the month of January averaging \$2,818 per application. There were 206 increases and restarts in January at an average of \$8,892 per request. The majority of activity during the month of January came from the following agencies: Iberville Parish Sheriff’s Office, East Baton Rouge Parish Clerk of Court, Calcasieu Parish Sheriff and Lafourche Parish Sheriff’s Office.

### **Automation of State Payrolls Update**

The number of payrolls that have not automated as of January 31, 2014 is 27 (down from 225). A detailed report of the agencies not yet automated along with the number of assets and participants per agency was reviewed. On a Plan level, contributions from specific payrolls cannot be refused – this then, is not an option for those payrolls that are non-compliant. Ms. Hunter volunteered to draft a letter from the Attorney General’s office on Attorney General letter-head in hopes of emphasizing the importance of automating. Next, a letter to individual participants advising of a possible delay in posting contributions due to their agency being out of compliance will be mailed.

**ROTH 457b and Loan Payments:** Ms. Stevens reported that no additional action is needed by payroll to assure that payments are posted correctly. Great-West Financial is responsible for applying the payments correctly.

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**Files in the Baton Rouge office:** Ms. Stevens presented a list of a sampling of the types of documents currently included in the hard-copy file folders located in the office of the Plan Administrator. Scanning of all documents began in 2009. For purposes of clarification, the following forms must be scrubbed and scanned from the files: beneficiaries, DROS/Deaths and hardships. Ms. Hunter stated that if there is no account balance, there is no need to electronically scan the document. Ms. Hunter further stated that documents older than 7 years need not be scanned. Great-West Financial will use the current Reliance Insurance participant list rather than scan documents. Requests for contract work quotes will be resubmitted with this additional information.

**Adjournment**

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 11:32 a.m.

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Virginia Burton, Secretary