MINUTES

Louisiana Deferred Compensation Commission Meeting
February 15, 2011

The Monthly Meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, February 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, Participant Member
Andrea Hubbard, Co-Designee of the Commissioner of Administration
Robert Henderson, Participant Member
Troy Searles, Participant Member

Members Absent

Steven Procopio, Designee of Commissioner of Administration
Whit Kling, Vice-Chairman, Designee of the State Treasurer
Len Riviere, Designee of Commissioner of Financial Institutions

Others Present

Marilyn Collister, Senior National Reg Policy Director
Lindsey Hunter, Louisiana Attorney General's Office
Connie Stevens, Regional Director, Baton Rouge GWRS
David Arriaza, Senior 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 10:07 a.m.

Approval of Commission Meeting Minutes of January 18, 2011

The minutes of January 18, 2011 were reviewed. Ms. Burton motioned for acceptance of the minutes. Mr. Henderson seconded the motion. The Commission unanimously approved the minutes.

Acceptance of Hardship Committee Reports of February 4, 2011

Ms. Hubbard motioned for acceptance of the Hardship Committee Report of February 15, 2011. Ms. Burton seconded the motion. The Commission unanimously approved the report. Ms. Stevens commented that the amendments to IRS hardship guidelines for foreclosures/evictions were found to be too restrictive by members of the Hardship Committee. Ms. Hunter indicated that the guidelines are in compliance with IRS rules. Ms. Hunter will meet with the Hardship Committee members to further discuss the amendments.

Administrator's Report

Plan Update as of January 31, 2011 was presented by Ms. Stevens. Assets as of January 31, 2011: $1,063.16 billion. Distributions tend to be extra heavy in January as participants often wait until the next tax year to withdraw funds.

Participation by Asset Class and Investment Option: The LifePath Index Funds were added on November 22, 2010 and are now the default investments for the Plan. The % of Assets column depicts how participants use the funds – most usage in the beginning funds (2015/2020/2025); less usage in the long-term (2040/2050) primarily the result of date-of-birth mapping.

Investment Performance as of 1/31/2011: Overall, the YTD numbers are positive. The Oppenheimer Developing Markets did not do well in the month of January. The BlackRock Russell 2000 was slightly down. The "10 Year Since Inception" column reflects some recovery.

Quarterly Stable Value Report: In January, the Commission approved Wilshire's recommendation to move the revenue sharing in Stable Value from 12 to 6 basis points. The contract for Mr. Bares' signature was presented. This change in Stable Value basis points can begin at the start of the second quarter (April 1st) – a 30 day notification to participants is not required. The BlackRock Index Funds revenue sharing reduction may also begin April 1 as this is an operational change not requiring a 30-day participant notification.

There are three components to the changes approved: (1) Stable Value reduction in revenue sharing; (2) The BlackRock Index Funds are going to 0% revenue sharing and (3) Ten mutual funds are moving from one share class to another lower expense share class. The Mutual Fund change cannot occur until May 23rd as it will be announced in the March 31st statement to be received by participants around April 20th. Participants must have a 30 day notification of Mutual Fund mapping. Ms. Burton made the motion that the changes to Stable Value basis points and the changes in the BlackRock Index Fund revenue sharing begin as soon as possible (April 1st). Mr. Searles seconded the motion. There was no further discussion and the motion carried.

Stable Value Quarterly Statement: The Market Value of Assets to Book Value of Liabilities is at 104% which is very healthy. The average rating is at AAA. The current yield is 3.7% which is down primarily because of reinvestments at lower rates. The cash flow into the plan also contributes to the lower yield rate as all participants who contribute to Deferred Comp in Stable Value come in at lower rates. The Asset based Administrative Fee will be 6bps instead of 12bps in the second quarter which could possibly result in an improved crediting rate.

Catalog of Holdings: Lehman Brothers Holdings is at 20-25 cents on the dollar. The portfolio Manager is hoping that this figure will increase by the end of the Lehman Brothers bankruptcy proceedings.

Securities Sold in the Louisiana Stable Value Portfolio, December, 2010: American Express and Freddie Mac.

Economic and Capital Markets Review: Unemployment is still at about 9.4% which is down slightly. The high cost of energy is getting higher. The Stock Market experienced double-digit gains for the fourth quarter. Small and Mid Cap Funds out-performed the Large Cap Funds. The International Equity (Emerging Markets) out-performed Euro-Pacific Funds. High Yield Bonds was added to the Plan in 2009 and returned more than 14% as compared to Government Bonds that returned just under 5%.

Commission Activity Fund (CAF): The CAF Account ended 2010 with a balance of $2.3 million. $856,839.20 was taken in during the month of January, 2011 minus deductions of $644,961 resulting in a closing balance of $2.6 million.

Quarterly Fee Reconciliation: Every participant in the Plan is charged a Quarterly Flat Fee of $3.75 no matter what the balance is in the account. Quarterly Asset Fees are assessed in graded tiers for balances over $6,000. These two components brought in $403,392.70 from participants in the fourth quarter of 2010. Fees received from revenue sharing brought in an additional $445,777.25. The total deposit to the CAF account was $849,169. Recordkeeping was at $637,461 leaving a Net Credit of $211,708.95. The Custom Profile Management Services will no longer appear on the report due to the fund eliminations last year. The Stable Value Fund Management Services will stay in the report with a reduction in revenue sharing from 12 bps to 6 bps. This will assist in adjusting the balance in the CAF Account.

Marketing Report

It was noted by ms. Stevens that the new and increasing or restarting participants are contributing at amounts considered to by very healthy when compared to industry standards. Mr. Arriaza pointed out that the largest area of activity in his region is from the Orleans Parish Sheriff's Office. Last year, there was a merger between the criminal sheriffs and civil sheriffs resulting in extensive activity that will continue into 2011. As of February 14, 2011, the Lafourche Parish Water Conservation and Levy District and Drainage Administration joined the Plan. Another area of emphasis this year is in the area of public defenders in all parishes. Upcoming events that Great-West field representatives will attend include the Sheriff's Association meeting, the Public Health and Register of Voters conferences. The only thing noted in relation to a decrease in activity is in the reduction of benefit fairs because of pending layoffs and merging. Timing is an issue in relation to retirement incentives being offered by some agencies. More time is needed to be able to roll benefit money into participant Deferred Comp accounts. Plan regulations require that participants intend the month before contributions begin.

Update to Plan Document Amendments: Ms. Hunter reported that the Notice of Intent should be published on February 20th. Everything is on target for May, 2011. The amendments will be shepherded through the Retirement Committee. Tarcza & Associates, Inc. had originally signed a contract for $15,000 and then increased it in August, 2010 to $25,000. Invoices received to date from Tarcza & Associates total $28,212.25 which is over the limit approved. To date, Tarcza & Associates have been paid $20,720. Ms. Hunter's office will contact the appropriate parties to determine why the invoices are for more than what was agreed upon.

IRS Audit Issues: Ms. Collister reviewed IRS Audit Issues such as establishing a trust, remitting contributions in a timely manner FICA taxes, excess contributions, catch-up contributions, unforeseeable emergency withdrawals, loans, compliance with plan documents, severance of employment and excessive fee litigation. Ms. Stevens will conduct research to determine if any agency is late in remitting contributions and will report her findings to the Commission at a later date. IRS is auditing governmental plans which they have not done in the past. It is important to be aware of these issues as they could be included in an IRS audit agenda.

457(b) Roth Accounts: Ms. Collister stated that governmental plans can issue Roth Accounts effective January 1, 2011. The Roth is not a new plan. It is a new type of contribution to the existing Plan. It allows pre-tax amounts in the Plan to be converted to Roth within the Plan. A conversion can only be done if the Plan allows it and by taking an eligible rollover distribution. Once a dollar is designated as a Roth dollar, it must remain a Roth dollar. There is no income limit and contributions can be divided up at the participant's discretion up to the annual limits. The beauty of the Roth account, rather than just after-tax savings, is that if the rules of a qualified distribution are met, the earnings are never taxed. Under regular after-tax savings, taxes are paid on the earnings. A qualified distribution consists of: (1) Participants must have had a Roth account for five taxable years; (2) A triggering event which would include a severance from service, disabled or 70 1/2 years of age. Age 59 1/2 is not a triggering event; however, the participant must be 59 ½ to be able to make a qualified distribution. The Plan sponsor must decide if loans, hardship and QDRO requests are available with Roth dollars. Roth IRA dollars cannot be rolled into the Plan.

Other Business:

Duplantier, Hrapmann, Hogan & Maher Ballot Count Renewal Services: Proposal has been received dated 1/28/2011 indicating a charge of $50/hour plus all postage costs as opposed to $48/hour in 2010. The anticipated cost for 2011 is approximately $5600.

Adjournment

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 11:47 a.m.

Virginia Burton, Secretary