

# MINUTES

## **Louisiana Deferred Compensation Commission Meeting January 18, 2011**

The Monthly Meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, January 18, 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  
Whit Kling, Vice-Chairman, Designee of the State Treasurer  
Virginia Burton, Participant Member  
Andrea Hubbard, Co-Designee of the Commissioner of Administration  
Robert Henderson, Participant Member  
Len Riviere, Designee of Commissioner of Financial Institutions  
Troy Searles, Participant Member

### **Members Absent**

Steven Procopio, Designee of Commissioner of Administration

### **Others Present**

Felicia Bennett, Consultant, Wilshire Associates, Inc., *By Conference Call*  
James Thompson III, Tarcza and Associates  
Lindsey Hunter, Louisiana Attorney General's Office  
Perry Christie, VP PNP Major Accounts, Denver GWRS  
Connie Stevens, Regional Director, Baton Rouge GWRS  
Chris Burton, 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 10:03 a.m.

### **Approval of Commission Meeting Minutes of December 14, 2010**

The minutes of December 14, 2010 were reviewed. Ms. Burton motioned for acceptance of the minutes. Ms. Hubbard seconded the motion. The Commission unanimously approved the minutes.

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**Acceptance of Hardship Committee Reports of December 10, 2010 and January 7, 2011**

Mr. Kling motioned for acceptance of the Hardship Committee Report of December 10, 2010 and January 7, 2011 as amended based on corrections noted by Ms. Hubbard. Ms. Burton seconded the motion. The Commission unanimously approved the amended reports.

**Administrator's Report**

**Plan Update** as of December 31, 2010 was presented by Ms. Stevens. Assets as of December 31, 2010: \$1,052.93 billion. A review of contributions from prior years reflects steady growth of 5-7% each year. The LifePath Funds were added on December 22, 2010 and are now the default investments for the Plan which accounts for about 8% of the Plan assets. The top 3 holdings by asset size are Stable Value, Blackrock Russell 1000, and T. Rowe Price Equity Income. By number of participants, the top 3 holdings are Stable Value, T. Rowe Price Equity Income, and American Funds Capital World Growth and Income.

**Securities Sold in the Louisiana Stable Value Portfolio, November, 2010:** A considerable amount was sold in November primarily because the Profiles had a Stable Value component that was liquidated to be mapped to the LifePath Funds.

**Commission Activity Fund (CAF):** Ms. Stevens reviewed the report noting that nothing on the report was out of the ordinary and that all activity could be accounted for.

**Marketing Report**

The average 2010 annual deferral per new participant was \$3,514 which is very healthy in comparison to other plans of this type. Increases and restarts averaged \$4,478 annually per participant. Ms. Burton shared comments related to the account history of Iberville Parish Council.

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**Plan Document Amendments:** Ms. Hunter distributed copies of the recommended Plan Amendments as prepared by Tarcza & Associates, Inc. Mr. Thompson, of Tarcza and Associates, reviewed the amendments relating to 3121 participants. The Attorney General's opinion declared a negative rate of return is allowable for 3121 participants. Based on this opinion, Marilyn Collister of Great-West, recommended that broader language be used to remove the implication that the application of this section applied to fixed option only. Mr. Thompson and Ms. Hunter were satisfied with the proposed change of adding the term "actual earnings" to reflect the opinion.

**Section 101, Unforeseeable Emergency:** Ms. Hunter reviewed Section 101, Unforeseeable Emergency. In October of 2010, the IRS issued new changes to Unforeseeable Emergency guidelines. These changes were reviewed by Ms. Hunter with the Hardship Committee who had specific questions related to the new guidelines and specific circumstances. The proposed amendment found in Section 101c defines an unforeseeable emergency as a severe financial hardship of the participant or beneficiary resulting from other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of participant or beneficiary. The IRS looks at this statement as the provision that gives the Hardship Committee leeway to make exceptions for circumstances that don't really fit into one particular category. Ms. Hunter stated that where there is IRS guidance, the Hardship Committee should follow the guidelines as specifically as possible.

**Loan Procedures:** Ms. Hunter addressed an amendment related to loans. In the past, participants have had the ability to pay off one loan and immediately request a second loan prior to the first loan re-payment check being processed. In the event the check processed for the first loan was returned for insufficient funds, the participant then had two unpaid loans at one time which is in violation of the Plan document. A provision will be added stating that once a loan is paid off, the participant must wait 30 days before a second loan can be obtained. Mr. Kling motioned to approve the amendments as discussed including the Roth amendment. Mr. Riviere seconded the motion. The motion carried with no further discussion. Mr. Thompson will make the necessary revisions and have the document ready for the submission of publishing by the February 10, 2011 deadline. Acceptance of the amendments requires that the document be published by February 20, 2011, reviewed by legislative committee and completion of a 90-day "Public Comment Period."

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**Wilshire Fund Lineup Change Recommendations:** Ms. Bennett reviewed recommendations to continue along the path of making Plan costs and fees more explicit by eventually cutting implicit revenue sharing fees and moving toward 100% explicit with administrative fees charged. The recommendations include dropping the wrapped index fund revenue share to 0%; reducing revenue share on the stable value fund from 12 bps to 6 bps and reducing revenue share on 10 additional funds by changing share class. Ms. Bennett reviewed budget scenarios related to the proposed recommendations. Mr. Kling motioned that the recommendations be accepted. Mr. Searles seconded the motion. The motion carried with no objection.

#### **Other Business:**

**Duplantier, Hrapmann, Hogan & Maher Ballot Count Renewal Services:** Mr. Kling motioned that the Commission renew the contract with Duplantier, Hrapmann, Hogan & Maher for ballot count services. Mr. Searles seconded the motion. The motion carried with no further discussion.

**Nominating Committee Report:** The Nominating Committee met on January 4, 2011 and nominated Mr. Troy Searles (re-election) and participant, Barry Karns, who had expressed an interest in serving on the Commission. Payroll notifications were mailed on Thursday, January 14, 2011 which included paperwork for anyone who wishes to run by petition to do so. Mr. Riviere motioned that the Commission accept the Nominating Committee Report. Ms. Burton seconded the motion. The motion carried with no objection.

**Supreme Court Decision: Mayo Foundation for Medical Education and Research et al vs. United States:** Ms. Stevens pointed out that the Supreme Court ruled in January, 2011 that medical residents are no longer exempt from paying Social Security as they work more than 40 hours per week. Medical residents must now pay Social Security or enroll in a Social Security alternative like Deferred Compensation.

#### **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