

Minutes

Louisiana Deferred Compensation Commission Meeting

May 16, 2017

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, May 16, 2017 in the offices of the Plan Administrator, 9100 Bluebonnet Centre Blvd, Suite 203, Baton Rouge, Louisiana 70809.

Members Present

Emery Bares, Chairman, Designee of the Commissioner of Insurance
Virginia Burton, Secretary, Participant Member
Andrea Hubbard, Co-Designee of the Commissioner of Administration
Whit Kling, Vice-Chairman, Participant Member
Len Riviere, Co-Designee of Commissioner of Financial Institutions
Laney Sanders, Participant Member

Members Not Present

Thomas Enright, Designee of the State Treasurer

Others Present

Rick McGimsey, Co-Designee of the Commissioner of Administration
William Thornton, Senior Manager, Client Portfolio Services, Great-West Financial *via Conference Call*
Mr. Bob Tarcza, Tax Attorney, Tarcza & Associates, LLC, New Orleans
Connie Stevens, State Director, Baton Rouge, Empower Retirement
Reggie Wheeler, Retirement Plan Advisor, Baton Rouge, Empower Retirement
Jo Ann Carrigan, Sr. Field Administrative Support, Baton Rouge, Empower Retirement

Public: Carla S. Roberts, employee of the Louisiana State Senate; Laura Gail Sullivan, Louisiana State Senate Counsel.

Call to Order

Vice Chairman Kling called the meeting to order at 10:01 a.m.
Roll call was taken by Jo Ann Carrigan.

Approval of Commission Meeting Minutes of April 18, 2017 and May 9, 2017

The minutes of April 18, 2017 and May 9, 2017 were reviewed. Mr. Kling asked that the minutes of May 9, 2017, page 7 or 8, 3rd paragraph, be corrected to read that Ms. Hubbard “made a substitute motion to receive” instead of “motioned to receive”. With this correction noted, Mr. Bares motioned for acceptance of the minutes. Ms. Sanders seconded the motion. The Commission unanimously approved the minutes.

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Acceptance of the Hardship Committee Report-May 4, 2017.

The Hardship Committee Report of May 4, 2017 was reviewed. Ms. Burton motioned for acceptance of the Hardship Committee Report of May 4, 2017. Mr. Riviere seconded the motion. The Commission unanimously approved the reports.

Public Comments: There were no public comments.

Mr. Kling stated that he would be chairing the meeting as Mr. Bares was unable to attend the previous Commission Meeting of April 18, 2017 where HB 549/685 was discussed.

Discussion of HB549 and Substitute HB 685

Ms. Andrews reviewed the status of HB 685 indicating that the bill passed the House this morning. Ms. Andrews encouraged members to view the archived video of the House Retirement Hearings. Ms. Andrews distributed copies of HB 685 noting specific areas of concern. Ms. Andrews stated that she was sorry that no one from treasury was in attendance as she hoped to ask questions about the process of HB 685. Areas of concern noted by Ms. Andrews included:

- **Reference:** Page 5 of 8; Lines 8-11, B.(1): By August fifteenth of each year beginning in 2017, the treasurer shall make his best effort to identify and list all companies that boycott Israel and shall make the list of companies available to state agencies and the public by posting the list on the treasurer's website.

Reference: Page 5 of 8; Lines 12-16; B.(2): In maintaining the list of companies that boycott Israel, the treasurer may review and rely, as appropriate in his judgment, on any publicly available information regarding companies, including information from the state, non-profit organizations, research firms, international organizations, other states and other governmental entities.

Concern noted: Ms. Andrews stated that these statements reflect a very broad discretion given to the treasurer in identifying/listing companies that boycott Israel. Ms. Andrews commented that the criteria given is too broad and that this is a topic that she wanted to discuss with representatives of the treasurer.

- **Reference:** Page 5 of 8; Lines 17-20, C.(1): When a company is identified for inclusion on the list prepared pursuant to this Section, the treasurer shall send written notice informing the company that it has been identified as a company that boycotts Israel and that it may become subject to divestment by the state or state agencies.

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Reference: Page 5 of 8; Lines 24-27, C.(2): If the company fails to make such a demonstration, the company may be included on the list of prohibited investments no sooner than ninety days following the date on which written notice is sent to the company as provided in Paragraph (1) of this Subsection.

Concern: Ms. Andrews observed that the 90 day time period will be somewhat problematic. The treasurer puts out the list on August 15, 2017 but the company cannot be placed on the list until 90 days past notice. The Commission will receive the list on September 15, 2017 which will be forwarded to fund managers on October 15th. The time-period in this section needs to be corrected. An identified company will receive written notice and is given a chance to rebut the listing and/or prove that they have rehabilitated. Ms. Andrews surmised that it would be up to the treasurer's discretion on whether or not the company successfully rebutted/rehabilitated so that they may be removed from the list (lines 28).

- **Reference:** Page 3 of 8, Lines 14-16, Subsection B.(1): By September fifteenth of each year beginning in 2017, the commission shall obtain the list of countries that boycott Israel maintained by the state treasurer as provided in R.S. 49:328. (NOTE: "countries" in this statement should be "companies.")

Reference: Page 3 of 8, Lines 17-20, Subsection B.(2): ...Within thirty days of receipt of the list obtained pursuant to Paragraph (1) of this Subsection, the commission shall forward the list to the investment fund managers who are under contract with the commission or the administrator.

Reference: Page 2 of 8, Line 9-12, (13): "Investment fund manager" means any individual or company that contracts with the commission or the administrator to provide financial services or advice or to assist the commission or the administrator in selecting investment products to be placed on a list of core mandated investments.

Concern noted: Ms. Andrews stated that once the commission receives a list of companies from the treasurer, the commission must forward the list to investment fund managers no later than October 15. In this statement, the definition of "investment fund manager" is unclear.

Mr. Riviere stated that he was unsure of who the "fund manager" is as noted on Line 9. From his perspective, the definition seems to point to Wilshire as the fund manager; however, Wilshire serves as an investment advisor not a manager. Mr. Riviere stated that a fund manager is vastly different from an investment advisor

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as the processes are not the same. Mr. Riviere stated that the definition found in HB 685 is overly-broad. Mr. Kling pointed out that the Plan has no contract with a fund manager and therefore, has no fund manager. Mr. Kling defined Wilshire's role as one that provides investment advice to the commission in selecting products to be offered in the Plan. Wilshire is not an investment advisor in terms of offering investment advice to participants. Ms. Andrews asked if this is one of the ways that sets this Plan apart from other pension plans. Mr. Kling explained that in a defined benefit (DB) plan, the DB is investing and allocating the funds as well as selecting the manager for the fund. The LADCP has a contract with Great-West which has a platform. The contract allows Great-West (for a fee) to interface to the platform funds that were selected by the Commission. There is no fund manager. The participant allocates the funds, not the Commission. There is no guarantee—the participant bears the full load of the guarantee. In the retirement system, the benefit is guaranteed. Ms. Andrews stated that there is a possibility that some of the legislators do not understand why the rules of Title 11 cannot be feasibly applied to this Plan. Mr. Kling stated that the Plan's fund selection is by share class with no access to the entire class which is different from how a retirement system works. Mr. Riviere expressed concern that committee members may also be under the impression that the Plan's investments are directly tied to one of the companies on the list. Mr. Riviere clarified that in actuality, it's a mutual fund with hundreds of investments that changes daily. If there is a company within the mutual fund that appears on the list, the entire mutual fund would have to be taken away—not just the individual company. Further, Ms. Andrews stated that what the mutual fund holds on Monday may not be the same on Tuesday. Ms. Burton stated that, under this provision of the bill, the only types of funds that could be selected were those that were separate from a mutual fund which would entail adding a structure for managing your own funds. Ms. Burton further pointed out that this would add a tremendous amount of management fee costs to Plan participants which in essence, is taking money out of the pockets of the Plan participants. Ms. Hubbard pointed out that the bill gives the Commission one year to make changes to the platform based on the list received from the treasurer. Ms. Andrews expressed concern with the timing of when to take the "snap shot" of the funds offered. Mr. Tarcza stated that he believed the committee understood that it would be impossible to meet this requirement and that no one would have to divest funds. Instead the rule would apply to future investment choices. Mr. Tarcza stated; however, that this is not how the bill was written or how it passed the House. Ms. Andrews stated that even if the bill was written with this stipulation, it would create a "cause of action" by allowing some participants to invest in funds that others could not.

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Mr. Tarcza stated that as the bill is currently written, it is a certainty that the LDCC and the treasury would be sued.

- **Reference:** Page 3 of 8, Subsection C, Lines 21-25: Within one year of receipt of the list obtained pursuant to Subsection B of this Section and on an annual basis thereafter, the commission, with the advice and counsel of the administrator and the investment fund managers, shall make every effort, in compliance with the provisions of this Section, to divest of the core mandated investments that boycott Israel.

Concern noted: Ms. Andrews stated that the administrator cannot provide advice and counsel. Further, as stated earlier, the Plan does not have an investment fund manager. The statement “shall make every effort” is not clearly definable.

- **Reference:** Page 3 of 8, Subsection D.(1), Line 26-2: To ensure that the provisions of this Section are properly implemented, the commission shall require any investment fund manager to provide the commission with a list of comparable investments that can replace the investment in a company that boycotts Israel. The comparable investment shall be economically equivalent to the investment in a company that boycotts Israel with respect to return and risk in the appropriate time horizon and equivalent with respect to fees.

Concern noted: Ms. Andrews stated that there may be a conflict when the investment firm manager is notified that the Commission has identified a company as one that boycotts Israel and that the manager must now furnish the Plan with a comparable investment to take the place of the objectionable fund. The investment plan manager may choose not to provide alternative investments as they have already made selections based on what they deemed were in the best interest of the participant. Mr. Kling pointed out that it would be highly doubtful that the investment plan manager would have another style of fund within the family group. Ms. Burton stated that the Commission cannot “require” that the investment plan manager honor the request.

- **Reference:** Page 3 of 8, Subsection B.(2), Line 17: Subject to an appropriation by the legislature...

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Concern noted: Ms. Andrews pointed out that B.(2) is a problem because this statement only appears in this portion of the bill. As a result, Ms. Andrews interprets this as only applying to B.(2). If the intent is for the entire section to be subject to an appropriation by the legislature, this language must be included at the beginning of the 1303.2 and not just in subsection B.

- **Reference:** Page 4 of 8, (b), Lines 8-10: The selection of the alternative investment for that particular core mandated investment would be inconsistent with the commission's fiduciary responsibilities under the law.

Concern noted: Ms. Andrews stated that she was pleased that the bill recognizes the fiduciary duty of the Commission; however, if the Plan is spending participants' private funds to investigate whether companies are boycotting Israel or not, this is a fiduciary issue.

- **Reference:** Page 4 of 8; E, Lines 13-17: The legislative auditor shall assist the legislature in determining if an appropriation is necessary to carry out the provisions of this Section by reviewing the following: (1) The annual fees charged by the administrator and the investment fund managers of the plan. (2) The amount charged by plan administrators and investment fund managers in other states who have enacted similar laws to screen and divest of investments in states that boycott Israel.

Concern noted: Ms. Andrews was unclear as to whether or not this portion of the bill is requiring a fiscal note after the bill passes. Ms. Andrews voiced concern that she did not see how the legislative auditor could complete this prior to August 15th, the date in which the treasurer is required to have the list available. Mr. Kling pointed out that E (1) and (2) have no relationship with E, whatsoever. Ms. Andrews agreed and stated that the way this portion is written, it instructs the legislative auditor to see whether or not the legislature should appropriate money and to also look at the fees that the participants are paying. Ms. Andrews stated that it becomes a fiduciary issue when the participant is asked to pay fees to run the plan but to also use the fees to investigate companies. Ms. Andrews stated that the legislative auditor should not be taking into consideration annual fees paid by participants. Mr. Kling stated that the annual fees paid are for recordkeeping costs and to the funds themselves.

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Ms. Andrews asked Mr. Tarcza to clarify a statement made during the testimonies that this had been done in a 457 Plan before. Mr. Tarcza stated that the actual statement was that “maybe it had been done in Colorado before.” Ms. Andrews was unable to find that this has ever been done in a 457 Plan.

Mr. Tarcza stated that he had worked with Ms. Roberts over the weekend to address specific concerns. The issue of the timing of the snapshot was not discussed. The bill passed on Monday as it existed on Friday. None of the changes discussed were included in the bill. Ms. Sullivan pointed out that in fact, the bill had not yet passed.

Mr. Tarcza reviewed issues that are being addressed:

- **Timing:** The treasurer forwards a list to LDCC. LDCC sends the list of core offerings to treasury, treasury uses publicly available information to determine if (date certain) the investments contain prohibited investments. The final list of investments would be sent to LDCC by the treasurer (who is willing to do this). At this point, there are no expenses incurred by the Plan. The Plan would send notice to participants advising that 120 days from the notice, there could be no new core funds or new members placed in the identified investments. The notice could be cancelled within the 120 days if the treasurer reports that an investment had been sold. The objective is for the timing to be fluid so that there is no overlap of time that is unworkable. The burden of conducting the research would be on the treasurer. The obligation of LDCC is to send a notice to participants advising them that within the 120 day period, changes will be required in their investment selections. Ms. Sanders asked if there was an option for those participants who did not want their money screened based on social causes. Mr. Tarcza stated again that it is a certainty that there will be a lawsuit if this bill passes. Generally, the Plan Sponsor can have a prohibited list of investments when setting up the Plan but it is a problem when money is already in the Plan. Screening for purely social reasons without an economic benefit is also a problem as 457(g) states that the Plan has to be administered solely in the best interest of the beneficiary. Mr. Kling noted that there is a cost to moving investments which is not in the best interest of the participant. Ms. Stevens stated that from a recordkeeping perspective, cutting off an investment from the platform that stays in the Plan but prohibiting new contributions to that investment is not able to be done. The cash flow cannot be diverted. Further, Mr. Tarcza stated that as the bill is currently written, it is an unfunded mandate which is unconstitutional in the State of LA. Ms. Andrews asked who would defend the Commission in the event a participant sues and would participant funds be used for this purpose. Mr. Tarcza stated that this would be determined by a vote of the board.

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- Two letters from New York received:
 - From Andrew Dalin, Counsel, Dentons US LLP: Mr. Dalin represents “StandWithUs”, a 501(c)(3) organization and has written to the Commission on behalf of his client which means the letter is not something that can be relied on or used to defend. The letter also is clear that Mr. Dalen does not represent a governmental pension plan or that he necessarily has any expertise in government pension plans. The letter does not reference 457(g), the Exclusive Benefit Rule. In Mr. Tarcza’s opinion, Mr. Dalin’s letter could be disregarded and it was not referenced by the sponsor in her testimony.
 - From Lawrence M. Hill, Partner, Winston & Strawn LLP: The sponsor referenced Mr. Hill’s letter in her testimony and Mr. Hill is qualified to render advice per Mr. Tarcza. Mr. Hill is also a letter that is not giving advice to the Commission. Instead, it is a persuasive document written on behalf of a lobbyist, Israel Allies Foundation, to try to get certain legislation passed. Mr. Tarcza referenced page 2, paragraph 4 of the letter (quoted by the Plan Sponsor to the committee) which states: Under the Employee Retirement Income Security Act of 1974 (ERISA), which include “exclusive benefit” rule similar to that in Section 457(g), the Department of Labor has recently issued guidance expressly permitting plans to pursue an investment strategy that considers social factors. Mr. Hill knows that the Department of Labor has no jurisdiction over a 457 Plan and that ERISA does not apply to 457 Plans. Mr. Hill also knows that 457(g) is not covered by this government guidance. Mr. Tarcza stated that without legal background, the letter could be interpreted as approval of investing based on social factors in most circumstances. However, Mr. Tarcza referenced page 2, paragraph 5 when Mr. Hill states that the Plan’s administrators should be, in accordance with their general fiduciary obligations and consistent with the Department of Labor’s guidance, ensure that a prudent determination is made that whether (i) the Plan’s investments in lieu of the excluded companies are economically equivalent, with response to return and risk to beneficiaries in the appropriate time horizon, to investments in the excluded companies, or (ii) the Plan’s investment decision to exclude companies that boycott Israel is based solely on economic factors, including the economic impact of a company’s Israel boycott, that influence risk and return. Mr. Tarcza pointed out that this verbiage is stating that investments cannot be prescribed based on social reasons but that it has to be for economic reasons. The letter is correct but is written from a lawyer for a lobbyist.

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Ms. Andrews inquired as to the cost associated with requesting a Private Letter Ruling from the IRS. Mr. Tarcza stated that there is a \$25,000 user fee and would require about the same amount of money to write the Private Letter Ruling. The whole process would take approximately nine months. The cost would be paid by participant money and the bill would have to have been enacted because a Private Letter Ruling cannot be completed on a proposal/thought.

Ms. Burton voiced concerns related to the impact HB 685 will have on participants/retirees. Ms. Burton stated that she anticipates losing thousands of participants which means retirees are then destined to poverty. This Plan is set up as an employee benefit which can help the employee prepare for their senior years when they are no longer able to work. Mr. Kling pointed out that there are two options: 1. Leave the Plan or 2. Move to the Self Directed Brokerage account at a cost to the participant. Ms. Sanders stated that participants may be left with the feeling of “What’s next?”

Mr. Tarcza stated that it appears that some of the issues with the bill actually cannot be fixed.

Ms. Stevens voiced additional concerns:

- **Reference:** Page 2 of 8, (12), Line 6-9: “Core mandated investment” means an investment that the commission requires participants to purchase as a condition of participation in the Louisiana Deferred Compensation Plan.

Concern noted: The terminology of this statement causes concerns as it states that the commission **requires** participants to purchase as a condition of participation as opposed to using the word, “**voluntarily**”. The way it stands now, there is a choice to be made by the participant on the core investments.

- **Reference:** Page 2 of 8, (2), Lines 24-25: Four members of the commission shall constitute a quorum for the transaction of business. Ms. Stevens stated that if two new members are added to the Commission, that would make a total of nine Commission members which logistically, should require more than 4 members present to make a quorum. Mr. Tarcza stated this it is legal to have a quorum of 4 with 9 members. Ms. Sanders and Mr. Kling shared concerns that if the quorum is based on the number of members, it may be difficult to have a quorum in attendance should members be unable to attend.

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Ms. Stevens commented on Ms. Burton's earlier statement regarding the impact of changes made to the Plan. The Plan is a multi-employer plan with political subdivisions. Based on recent history (the fund change of 2016), Ms. Stevens is confident that employers will leave the Plan as a result of HB 685. Ms. Stevens clarified that the Plan Administrator (Empower Retirement) does not fill the role of selecting investment fund managers. Ms. Burton stated that it would be very difficult to find an administrator to fill this role. If there is no plan administrator, there would be no one to work the Plan which would result in shutting down the Plan. Ms. Stevens reminded the Commission that Empower Retirement looks at the cost to administer the Plan which is based on size/assets and will ask for re-pricing at some point should significant numbers of participants/employers leave the Plan.

Mr. Riviere requested that it be determined if the provisions of this bill have been done previously on a 457 Plan. Ms. Andrews stated that in her research, this has never happened in a 457 Plan. Ms. Andrews' research included a review of: 457 regulations, Private Letter Rulings and Google. Mr. Tarcza stated that efforts were made over the weekend to place the burden on the treasurer to research companies using publicly available information.

Ms. Burton stated that it was her impression that the original objective of the bill was to provide an option for participants who objected to their money going to objectionable companies in the core \$2,500. Ms. Burton stated that the bill has gone from affecting just the participants with social objectives to all Plan participants. Mr. Tarcza agreed noting that HB 685 has a completely different agenda with serious problems.

Mr. Kling stated that he does not see the bill not passing the House. Mr. Riviere agreed and stated that the discussion on the House floor would be general in nature as opposed to specifics. Mr. Riviere quoted Representative Pearson who stated that "if you are against this bill, it doesn't mean that you are against Israel." The issue with the bill is with the procedures/regulations and these concerns must be relayed to the Senate for discussion. Mr. Kling added that the bill is telling participants what to do with their own private dollars. Ms. Burton stated that LASERS has issued written statements in the past clearly stating that specific bills do not have their support based on the way the bill is written. Ms. Burton proposed that, based on expert opinion from counsel, the bill (as it is currently written) would cause problems with 457(g) compliance, brings into question whether or not the Plan would continue to be a tax-qualified Plan and that it would have an adverse impact on Plan participants. Ms. Burton further stated that the Commission is responsible for administering the Plan in the best interest of Plan participants and that the position should be taken to not be in favor of the bill as it is currently written, based on

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the expert opinion of counsel. Mr. Tarcza stated that he believes the bill is in violation of 457(g) as the Plan must be run in the best economic interest of the participants/beneficiaries. Ms. Andrews stated that 457(g) will not protect the Plan in the event the bill becomes law. The LA law must be followed but the Plan would lose its tax-protected status.

Ms. Hubbard stated that the Commission addressed the initial request related to social issues on page 3 of 8, (b), Lines 3-7 but that every time the bill is amended, another issue is added. Mr. Tarcza agreed that HB 685 is not the original bill.

Ms. Sullivan stated that if the Commission does not bring these concerns to the House, the Senate will ask why not. The Senate does not want to be put in a position to do something that the Commission should have asked the House to do in the first place. Mr. Kling stated that, procedurally, the Commission could write a "position paper" to be sent in the form of a letter to every legislator's email site. Mr. Kling suggested that the letter be very brief to include the following key points: the issue with private funds, how the bill is technically impossible and that the bill is a threat to the Plan's tax-deferred status. Ms. Burton motioned that the letter be written to express the Commission's opposition to the bill based on the implications noted by expert legal counsel hired by the Commission. Mr. Bares seconded the motion. Mr. Kling reviewed the procedures to be followed stating that a position paper will be written for consideration by counsel and the chairman. Upon their approval, a letter will be forwarded to all legislators. There was no objection to the motion.

Custom Stable Value

Economic Review1Q17: Mr. Thornton reviewed the factors that are shaping the 2017 Outlook and Positioning noting opportunities and risks. The stable US economy and expectations of the presidential agenda (seen as pro-business) have been influential factors. It appears that tax reform will not be addressed until after the August, 2017 recess. The US economy remains consistent/stable. Global economy is experiencing modest growth (1%). In relation to positioning, there is a slight movement toward corporate the side.

1Q17 Report: Mr. Thornton stated that there were not a lot of changes in market-to-book value and no changes on the duration side. The only difference noted is the reduction in agency mortgage-backed securities and treasuries. Performance continues to be solid around the 2% range.

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Securities Sold/Exception Letter: Mr. Thornton reported no changes to the exceptions: Lehman Brothers and Becton Dickinson & Company continue to be held.

Mr. Thornton announced that Cathe Tocher's official retirement date will probably be June 15, 2017. Mr. Thornton offered to ask Jack Brown, the new portfolio manager, to join him on the call at the next Commission meeting. Mr. Kling responded by saying that the Commission will get back to Mr. Thornton should Mr. Brown's attendance be desired at the next meeting.

Administrator's Report

Plan Update April, 2017: Ms. Stevens presented the Plan Update as of April 30, 2017. Assets as of April 30, 2017: \$1,574.30 Billion. Asset change YTD: \$63.56 Million; Contributions YTD: \$33.27 Million. Distributions YTD: \$36.52 Million. The Net Investment gain YTD: \$66.81 Million.

Plan Review 1Q17: Ms. Stevens presented the 1Q17 Plan Review (3/31/2017 back to 4/1/2016). There were 38,189 participants in the Plan in this 12 month period with asset growth up 6.2%. The Self Directed Brokerage account has grown (year-over-year) by 25 participants. Forty-two percent of assets are in the Stable Value Fund. Ms. Stevens reviewed investment performances noting strong performance in YTD and 5-year figures. Longer term averages still reflect the "2008 hangover."

Marketing

Reporting 1Q17: Ms. Stevens reported that there were 633 new enrollments in the first quarter of 2017. The group meeting total is down slightly (298 actual vs. 325 quarterly goal). The most active agencies included: DPS, Calcasieu Parish Sheriff, DOTD, DCFS, ERB Parish Sheriff's Office and LSU-Baton Rouge.

Deferred Compensation Awareness Day: Mr. Wheeler reviewed a new emphasis that is working effectively with agencies called, "Deferred Compensation Awareness Day." Mr. Wheeler recognized a practice followed by LASERS that offered employees not enrolled in Deferred Comp a "jeans day" if they enrolled. Borrowing from this idea, Mr. Wheeler called the emphasis "Deferred Compensation Awareness Day". Mr. Wheeler mentioned the concept to SHRMA and from there, several agencies embraced the idea. Presentations are made at the meetings and individual meetings are scheduled.

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Case Reconciliation 1Q17: Ms. Stevens reviewed the Quarterly Fee Reconciliation report with the Commission. Fees collected from participants: \$359,337.40. Ms. Stevens pointed out that, as planned, revenue sharing has been removed from the Plan altogether. Total fees due to GWRS per contract: \$432,996.00 leaving a deficit of \$73,658.60.

UPA March, 2017: Ms. Stevens reviewed the UPA for the month of March, 2017. Cash balance on hand as of March 31, 2017 was \$2,414,981.10. Ending balance as of April 30, 2017: \$2,767,840.55. Deductions included the State of LA Department of Justice.

Additions included interest for the month of April, participant recoveries, BlackRock fund gains (as a result of their calculation error) and gains on contribution corrections.

Ms. Andrews advised the Commission that the Department of Justice is reviewing boards and commissions and their utilization of services. A contract review may be required based on the amount of time allotted to the Commission. Ms. Andrews noted that it has been a very busy year.

Mr. Kling asked that Wilshire be instructed to review fees again in 2018.

Dual Licensing Model Discussion

Mr. Riviere reviewed the role of the local representatives in terms of advice and compensation. Local representatives have become registered investment advisors under Advised Asset Group. Ms. Riviere identified the acronym: GWLA which stands for Great West Life and Annuity Insurance Company. GWLA is the parent company of both The Advised Asset Group and Empower Retirement (brand name).

Local representatives are actually compensated by GWLA although they are employees of Empower Retirement. Salaries have been and will continue to be paid by GWLA. Representatives are receiving no commission or separate investment advisory fees. Mr. Riviere concluded that, based on research performed, that since the individual representatives are paid on a salary basis with no transaction based compensation (commission) or separate advisory fee, FINRA would not have an issue with this structure. The advice that is being provided by the representatives is structured and based on certain AAG parameters. Mr. Riviere stated that he is satisfied with the structure noting that the representatives' duties have changed but how they are compensated (by GWLA) has not changed. Ms. Stevens offered to bring a presentation to the Commission reviewing the advice software structure that is being used by representatives.

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Other Business

Mr. Kling confirmed with the Commission that he, Mr. Bares and Mr. Tarcza will represent the Commission at any meetings related to HB 685, as instructed at a previous Commission meeting.

Ms. Andrews asked if the Commission was aware that W2's of state employees did not include deferrals made to the Deferred Compensation Plan. Ms. Hubbard explained that that the issue was related to Roth 457 contributions being reported twice over a two year period (2015 and 2016). Corrections have been made to approximately 600 employee records.

Ms. Burton expressed her appreciation to Mr. Kling for the amount of time and effort he has made on behalf of the Commission related to HB 685. The other Commission members echoed Ms. Burton's sentiments.

Adjournment

With there being no further items of business to come before the Commission, Vice Chairman Kling declared the meeting adjourned at 11:54 a.m.

Virginia Burton, Secretary