

# MINUTES

## **Louisiana Deferred Compensation Commission Meeting August 20, 2013**

The Monthly Meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, August 20, 2013, in the offices of the Plan Administrator, 2237 South Acadian Thruway, Suite 702, Baton Rouge, Louisiana 70808.

### **Members Present**

Virginia Burton, Secretary, Participant Member  
Whit Kling, Vice-Chairman, Participant Member  
Andrea Hubbard, Designee of the Commissioner of Administration  
Len Riviere, Designee of Commissioner of Financial Institutions

### **Not Present**

Emery Bares, Chairman, Designee of the Commissioner of Insurance  
Lela Folsie, Designee of the State Treasurer  
Troy Searles, Participant Member

### **Others Present**

William Thornton, Senior Manager, Client Portfolio Services *by Conference Call*  
Lindsey Hunter, Louisiana Attorney General's Office  
Connie Stevens, Director, Client Relations and Plan Consultants, Baton Rouge GWF  
Jo Ann Carrigan, Lead Office Coordinator, Baton Rouge GWF

### **Call to Order**

Vice-Chairman Kling called the meeting to order at 10:02 a.m.

### **Approval of Commission Meeting Minutes of July 16, 2013**

The minutes of July 16, 2013 were reviewed. Ms. Burton motioned for acceptance of the minutes. Mr. Riviere seconded the motion. The Commission unanimously approved the minutes.

### **Acceptance of Hardship Committee Report of August 9, 2013**

Ms. Hubbard motioned for acceptance of the Hardship Committee Report August 9, 2013. Ms. Burton seconded the motion. The Commission unanimously approved the report.

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

### **Election of Commission Officers**

A vote was held among Commission members for officers to serve through June 30, 2014. Emery Bares was re-elected as Chairman; Whit Kling was re-elected as Vice-Chairman, Virginia Burton was re-elected as Secretary.

### **Administrator's Report**

**Plan Summary** as of July 31, 2013, was presented by Ms. Stevens. Assets as of July 31, 2013: \$1,301.17 Billion. Asset change YTD: \$90.39 Million. Contributions YTD: \$61.50 Million. Distributions YTD: \$59.04 Million. Net Investment gain YTD: \$87.93 Million. The YTD contributions are ahead of the YTD distributions by \$2.5 Million. July was a heavy month for distributions due to hospital closures (30 days after June 30 closure).

**2<sup>nd</sup> Quarter Plan Review:** Ms. Stevens presented an Executive Summary of the Plan as of June 30, 2013. Assets: \$1,270.09 billion. Asset Change: \$117.66 million. Contributions: \$98.90 million. Distributions: \$91.20 million. Investment gain: \$109.06 million. Plan assets have grown 50% over the past five years due primarily to market gains and contributions. The number of participants has decreased due to layoffs and DeMinimis distributions and the average account balances have increased. Percentage of Assets by Asset Class: Fixed 48.2% of the Plan (down from 53.7%) which reflects market gain; Life Path Funds: 8.3% of the Plan (\$105 Million total vs. \$92.3 Million in Assets in 2012). Performance Returns as of July, 2013: Everything is positive except for Oppenheimer and two bond funds. Contribution History: \$100 Million (down from a high of \$108 Million in 2011 due to less participants in the Plan). Contributions by Fund/Asset Class: No significant changes – only 1% less going into Stable Value in 2013 vs. 2012. Plan Participation: 38,350 (down slightly from 2012). Benefit Payments: 216 DeMinimis distributions in 2013 YTD with anticipation of an additional 200 DeMinimis distributions by year-end. Retirement and Separation from Service full withdrawals have increased \$7 Million and 188 participants year over year. Loan balances continue to creep upward with 10% of participants in the Plan having a loan. Key Talk: Increase in loan inquiries from 14.8% in 2012 to 26.5% in 2013. Service Utilization by Number of Participants: 7,366 (\$131 Million) in Managed Accounts and 73 (\$5.2 Million) in Advice. More females use Managed and Advice services than males.

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**Unallocated Plan Assets:** Ms. Stevens presented the UPA activity for July, 2013. Beginning UPA balance: \$3.190 Million; Ending balance as of July 31, 2013 was \$3.174 Million.

**Quarterly Fee Reconciliation:** Effective January 1, 2013, the quarterly base fee per participants was reduced from \$3.75 to \$2.50 resulting in a reduction in fees from \$135,000 to \$89,000 per quarter. The Quarterly Asset Fee is based on participant assets and has remained at approximately \$291,000. Revenue Sharing from investments totaled \$153,000. Great-West Fund Revenue went from \$12,000 to \$6,659 due to a fund change in May from Great-West MFS International Value Fund to MFS International Value Fund. This fund's revenue will be completely eliminated on the 3Q13 report. Stable Value revenue was eliminated effective January 1, 2013. Net to the UPA: \$105,002. The Loan Maintenance Fee was reduced effective January 1, 2013 from \$8.75 per participant to \$6.25.

**Stable Value Report-3<sup>rd</sup> Quarter:** Mr. Thornton reviewed changes in the Great-West Financial portfolio managers department. Cathe Tocher, Lead Manager and Senior Vice President of Investments will continue to perform her duties but will now have the assistance of three staff members who have been promoted to Portfolio Managers. Stable Value-2nd quarter statistics: Credited rate to participants: 2.95% (vs. 2.85 in 3<sup>rd</sup> quarter). Market Value to Book Value: 104% (1<sup>st</sup> quarter) vs. 102% 2<sup>nd</sup> quarter. The Mortgage Backed sector suffered in the 2<sup>nd</sup> quarter which affected duration (from 3.7 years to 4 years). There will be little change in the portfolio strategy going forward. The only exception to the portfolio is the Lehman Bond. Securities sold in the LA Stable Value Portfolio in the 2<sup>nd</sup> quarter were reviewed.

### **Payroll Automation**

**Cost and Capabilities:** Ms. Stevens reported that a non-automated (manual) entry costs approximately \$.30 per participant per transaction. There is no capability of charging a specific amount per subset.

**Webinar and Calling Campaign Results:** As of August 19, 2013, there are 136 non-automated payrolls in the system. A letter sent from the Commission in July that vaguely referenced a penalty for not automating generated renewed interest. Payroll automation webinars were offered July 29, 30, 31 and August 19-21, 2013. There is an ongoing calling campaign to each non-automated payroll which is yielding decent results. Another letter from the Commission will be drafted in October.

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#### **Beneficiary Records**

Ms. Stevens presented a timeline related to action taken to date encouraging participants to update electronic beneficiary information. There are 2,500 participants without electronic beneficiary information on file. Ms. Stevens will run a report to chart the progress of action taken in 2013. There will be another beneficiary article sent with the 3<sup>rd</sup> quarter statements along with a beneficiary form. The beneficiary narrative printed directly on the statements will be permanent. Ms. Hunter reported that Great-West Financial is protecting itself from lawsuits by making these efforts and Great-West Financial must continue to alert participants of no electronic beneficiary on file. Once the number of non-electronic beneficiary files has been reduced, remaining participants will be targeted with a letter campaign. Paper copies of beneficiary forms stored in files in the Baton Rouge office, must be pulled and reviewed. The Commission will authorize funds to hire an outside source to complete this action once the number of non-electronic beneficiary files has been reduced. Ms. Hubbard suggested adding a “pop-up message” to the website reminding participants to review/update beneficiary information. Ms. Stevens will present an update on beneficiary data in October.

#### **Marketing Report**

Ron Nichols, Retiree Advocate of Great-West Financial, is presenting a series of retirement seminars during the month of August to be offered in Lake Charles, Sheveport, New Orleans and Baton Rouge. Approximately 325 participants signed up to attend the seminars. There were 338 new applications received during the month of July averaging \$3,335 per application. There were 278 increases and restarts at an average of \$7,081 per request.

#### **Other Business**

**Letter of Acceptance:** Ms. Hunter reported that the Plan has been requiring a “Letter of Acceptance” when money is being rolled out of the Plan. Ms. Hunter recommended that this policy be discontinued as it is not necessary or required. Mr. Riviere made the motion to discontinue requiring a Letter of Acceptance for rollover requests. Ms. Burton seconded the motion. The Commission unanimously approved the motion.

**December Retreat:** The retreat will be held at the Burden Center on December 17th. The keynote speaker will be from American Funds to talk about the market. Ms. Hunter suggested that if Commission members are required to fulfill one hour of ethics training, this should be added to the agenda. Ms. Hunter will look into the requirement and report back. Marilyn Collister is scheduled to attend the meeting to discuss fiduciary responsibilities and Roth updates. The Annual Plan Performance Review was also added to the December agenda by Ms. Hunter.

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**Adjournment**

With there being no further items of business to come before the Commission, Vice-Chairman Whit Kling declared the meeting adjourned at 11:24 a.m.

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Virginia Burton, Secretary