

# MINUTES

## Louisiana Deferred Compensation Commission Meeting December 11, 2012

The Monthly Meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, December 11, 2012, in the Benson Tower in New Orleans, LA.

### **Members Present**

Emery Bares, Chairman, Designee of the Commissioner of Insurance  
Andrea Hubbard, Designee of the Commissioner of Administration  
Whit Kling, Vice-Chairman, Designee of the State Treasurer  
Len Riviere, Designee of Commissioner of Financial Institutions

### **Members Absent**

Virginia Burton, Secretary, Participant Member  
Troy Searles, Participant Member  
Robert Henderson, Participant Member

### **Others Present**

Gregg Seller, Sr. VP, Government Markets, Denver, CO GWF  
Perry Christie, VP PNP Major Accounts, Denver GWF  
Theresa Myers, Vice President, PNP Client Relations, Denver GWF  
Danette Rausch, Director, Plan Services, Denver, CO GWF  
David Lindberg, Consultant, Wilshire Associates, Inc.  
Felicia Bennett, Consultant, Wilshire Associates, Inc.  
Lindsey Hunter, Louisiana Attorney General's Office  
Connie Stevens, Director, Client Relations and Plan Consultants, Baton Rouge GWF  
C. David Arriaza, Key Retirement Plan Consultant (RPC), Baton Rouge GWF  
Beau Bordelon, RPC, Baton Rouge GWF  
Chris Burton, Key RPC, Baton Rouge GWF  
Donnie Roberts, RPC, Baton Rouge GWF  
Grady Savoie, RPC, Baton Rouge GWF  
Reggie Wheeler, RPC, Baton Rouge GWF  
Jo Ann Carrigan, Lead Office Coordinator, Baton Rouge GWF

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**Retirement Landscape** presented by Gregg Seller, keynote speaker. Mr. Seller reviewed current events related to defined benefits and defined contribution plans throughout the country.

### **Education**

**Revenue Sharing and Participant Fee Structure:** Ms. Bennett reviewed the history of recordkeeping and participant fee structure since 2009. Ms. Bennett noted that the Commission adopted new recordkeeping and participant fee structures in 2009. Recordkeeping fees switched from asset based to a fixed dollar per participant structure, and overall fund expenses have been lowered gradually since that time. In 2009, participant fees were simplified to an explicit asset-based charge with a minimum (\$15) and cap (\$120). The three goals since that time have been to increase fee transparency and predictability, reduce Plan costs and fund expense ratios, and manage the UPA balance. Ms. Bennett noted that total recordkeeping expenses are down under the new contract. Ms. Bennett presented recommendations to the Commission that would reduce Plan revenues by reducing both the fund administrative fees (where possible) and the participant administration fee. This would be accomplished by replacing six mutual fund investment options with lower expense ratio/lower administrative fee share classes that are now available for investment. The current fund administrative fees ranging from 5 bps-35 bps would be eliminated in the new share classes, reducing projected mutual fund fee revenue by almost 50%, from \$676K to \$354K. The recommendation also included the elimination of 6 bps wrapped administrative fee from the Stable Value option and adjusting the participant administration fee on a sliding scale with a minimum participant annual fee of \$10 and a maximum \$95.

**3<sup>rd</sup> Quarter Executive Summary of Investment Performance:** Mr. Lindberg reviewed 3<sup>rd</sup> quarter executive summary of investment performance. Mr. Lindberg pointed out that there were strong returns by all asset classes, year-to-date. Mr. Lindberg reviewed the returns of: US Capital Equity Markets, Non-US Capital Equity Markets, Fixed Income, Stable Value, Target Date Funds, and Real Estate.

### **Operational Efficiencies**

**Best Practices:** Ms. Myers reviewed a checklist of “best practices” for product and service opportunities with the purpose of identifying how to improve efficiencies. Best practices in the industry for non-ERISA and ERISA Plans were reviewed including Auto Enrollment.

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Going forward, under the new contract, automation of processes will be implemented. The Commission will be offering a Roth 457 in 2013. As part of the Strategic Partnership Plan, Great-West will review the goals of the Plan for the year with the Commission with the objective of improving asset allocations. The Commission has made great strides in Fee Disclosure and Transparency as the Plan offers full fee disclosure prior to the Department of Labor requiring it be so. Defined Benefit and Defined Contribution Integration is a best practice in many plans. Great-West partners with LASERS in workshops to assist participants in understanding how to pull Defined Benefit and Defined Contributions together. The trend in other Governmental Plans is to create access to both Defined Benefit and Defined Contributions so that the participant can view anticipated income amounts in one place. Ms. Stevens pointed out that this could be a challenge in the State as there are 12 retirement funds in addition to LASERS. The Strategic Partnership Plan will be presented to the Commission in February, 2013. The presentation will include a report of goals and initiatives for the Plan. Further, an Operational Efficiency Checklist will be added to measure the progress of the goals/objectives. Administrative Services offered by Great-West but not currently used by the Plan include: full Payroll Data Interchange (PDI), Online enrollment for all participants and QDRO Services. The Great-West website has incorporated and will continue to offer tools to assist participants in planning for retirement called, "Game Changer Enhancements." To improve education to participants, Great-West provides an Internet tool called, "Retirement Income Control Panel (RICP). RICP will project what a certain amount of money will mean in monthly income to the participant at retirement. This projected income value will also become available on the 1<sup>st</sup> Quarter 2013 statement for the first time.

**Details of Efficiencies:** Ms. Rausch presented details of efficiencies that were discussed by Ms. Myers. A requirement of the new recordkeeping contract is to track efficiencies in operations of the Plan. RICP will be introduced in early 2013 to provide participant calculations of their retirement income based on their accumulated retirement account balance(s). Participant statements have been enhanced to shift the focus to retirement income. She discussed the adoption and operational considerations for moving the Roth 457 into the Plan. Beginning in November, 2012, the Plan contacted each payroll department to introduce automated processing of payroll files.

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The goal is to have all payroll departments processing contributions electronically by year-end. Progress will be measured on a monthly basis. There was discussion among attendees on how to respond to payroll departments that do not adopt automation. Suggestions included charging an additional fee or that the agency be “disallowed” from contributing to the Plan if they chose not to automate. SecureFoundation is a product that offers an enhancement for the Plan that provides the participant with an understanding of what is required for guaranteed income at retirement. Services that could be outsourced to Great-West include: online/automatic enrollment, deferral recordkeeping services, distribution processing, and unforeseeable emergency approval services.

**Commission Meeting: Call to Order**

Chairman Bares called the meeting to order at 2:00 p.m.

**Approval of Commission Meeting Minutes of November 13, 2012**

The minutes of November 13, 2012 were reviewed. Mr. Riviere motioned for acceptance of the minutes. Mr. Kling seconded the motion. The Commission unanimously approved the minutes.

**Acceptance of Hardship Committee Report of December 7, 2012**

Mr. Kling motioned for acceptance of the Hardship Committee Report of December 7, 2012. Ms. Hubbard seconded the motion. The Commission unanimously approved the reports.

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

**Administrator’s Report**

**Plan Summary** as of November 30, 2012 was presented by Ms. Stevens. Assets as of November 30, 2012: \$1.199 Billion. Asset change YTD: \$106.93 Million. Contributions YTD: \$92.49 Million. Distributions YTD: \$80.25 Million. Net Investment gain YTD: \$94.69 Million. Contributions into the plan have lessened as a result of the number of layoffs in 2012. Recently announced was the upcoming movement of the public hospitals to the private sector expected to affect the number of participants and the amount of contributions in the Plan for 2013.

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**Participation by Asset Class and Investment Option** report was reviewed by Ms. Stevens.

**Unallocated Plan Assets:** Ms. Stevens presented Unallocated Plan Account activity for November, 2012. November beginning balance: \$3.63 Million. The ending balance as of November 30, 2012 was \$3.01 Million including \$8,570.63 interest. For the month of November, deductions included Wilshire Associates fees and Great-West recordkeeping fees.

### **Marketing Report**

There were 131 new applications received during the month of November averaging \$3,103 per application. There were 163 increases and restarts at an average annual contribution of \$9,295 per participant. This figure includes final contributions in the form of "one-time annual leave." New enrollments came primarily from Lafayette Clerk of Court, DOTD, Medical Center of LA, EBR Parish Sheriff's Office, Calcasieu Parish Sheriff's Office and St Charles Parish Sheriff's Office. The Calcasieu Parish Sheriff's office has notified Mr. Roberts that their payroll processing will become automated in early 2103.

### **Commission Personnel Change**

Mr. Robert Henderson submitted his written resignation from the Commission as Participant Member. Mr. Bares recommended that Mr. Whit Kling be designated to complete the remainder of Mr. Henderson's term ending June 30, 2013. Mr. Kling will continue to serve as Vice Chairman of the Commission. Mr. Kling will retire in February, 2013, and give up his delegated position this month to fill the vacancy created by Mr. Henderson's resignation. Mr. Kling would like to remain on the Commission by running for the Participant Member slot expiring in June. Ms. Hubbard motioned the accepted of Mr. Bares' recommendation. Mr. Riviere seconded the motion. The Commission unanimously approved the motion.

### **Other Business:**

#### **Amended Agenda: Wilshire Recommendations**

Mr. Kling motioned to amend the Commission Meeting Agenda to include the recommendations submitted by Ms. Bennett and Mr. Lindberg of Wilshire. Ms. Hubbard seconded the motion. The Commission unanimously approved the motion. Mr. Kling motioned to accept the recommendations of Ms. Bennett and Mr. Lindberg of Wilshire to eliminate 6 bps on Stable Value and reduce the participant administration fee effective January 1, 2013 and concurrently, to reduce revenue fees by replacing six mutual funds with lower share class options no later than June 30, 2013.

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#### **New Contract Highlights**

Mr. Christie reviewed the highlights of the new contract noting a dramatic decrease in recordkeeping costs and a reduction in loan fees. Mr. Christie thanked the Commission for its ongoing relationship with Great-West. Ms. Hunter reported that an "Intent to Contract" would be printed in The Advocate on Tuesday, December 18, 2012.

#### **Designation of Nominating Committee**

Mr. Bares recommended that the Nominating Committee consist of the following individuals: Kent LaPlace, Ken Dejean and Carl Berthelot. Mr. Kling motioned to accept the recommendation. Mr. Riviere seconded the motion. The Commission unanimously approved the recommendation.

#### **Commission Meeting Schedule**

The 2013 Commission Meeting Schedule was reviewed. The meetings will be held on the third Tuesday of each month with their being no conflict in schedule with State holidays this year. Mr. Riviere motioned to accept the schedule. Mr. Kling seconded the motion. The Commission unanimously approved the schedule.

#### **Introduction of GWF-Baton Rouge Staff**

Ms. Stevens introduced each member of the GWF-Baton Rouge staff.

#### **Adjournment**

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 2:31 p.m.

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Virginia Burton, Secretary