

MINUTES

Louisiana Deferred Compensation Commission Meeting November 18, 2014

The Monthly Meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, November 18, 2014 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, Secretary, Participant Member
Lela Folse, Designee of the State Treasurer
Andrea Hubbard, Designee of the Commissioner of Administration
Whit Kling, Vice-Chairman, Participant Member
Susan Pappan, Participant Member
Len Riviere, Designee of Commissioner of Financial Institutions

Others Present

Lindsey Hunter, Louisiana Attorney General's Office
Bill Thornton, Sr Mgr Client Portfolio Svcs AAG, Denver-GWF (*by Conference Call*)
Connie Stevens, Client Relationship Director, Baton Rouge GWF
Jo Ann Carrigan, Lead Office Coordinator, Baton Rouge GWF

Call to Order

Chairman Bares called the meeting to order at 10:04 a.m.

Approval of Commission Meeting Minutes of October 21, 2014

The minutes of October 21, 2014 were reviewed. Mr. Kling motioned for acceptance of the minutes. Ms. Hubbard seconded the motion. The Commission unanimously approved the minutes.

Acceptance of Hardship Committee Report of November 7, 2014

Mr. Kling motioned for acceptance of the Hardship Committee Reports of November 7, 2014. Mr. Riviere seconded the motion. The Commission unanimously approved the report.

Public Comments: No member of the public was in attendance.

Minutes

Louisiana Deferred Compensation Meeting

November 18, 2014

Page 2 of 6

Economic Update 3Q14

Mr. Thornton reviewed the key risks for global economic growth and portfolio positioning as reported by Cathe Tocher, Senior VP Great West Financial.

Custom Stable Value Review 3Q14

Mr. Thornton reviewed the Stable Value Fixed Income Fund for the third quarter of 2014. There was no change in the rate (2.5%) from 6/30 to 9/30. The only difference in the fund allocations was related to agency holdings. The Fund's performance continues to make it a better option at 2.5% than other options, such as money markets. Three securities falling outside the Investment Policy Statement requirements continue to be held to maturity, Lehman Brothers Unsecured Notes (2015 maturity), Western Union Senior Notes (2020 maturity) and France Telecom Senior Notes (2019 maturity). Mr. Thornton reported that no further downgrade of Western Union is expected.

Ms. Stevens asked the Commission if Mr. Thornton should continue to be invited to present a quarterly report. The Commission responded affirmatively.

Administrator's Report

Plan Summary as of October 31, 2014 was presented by Ms. Stevens. Assets as of October 31, 2014: \$1.427 Billion. Asset change YTD: \$60.88 Million as a result of net investment gain. Contributions YTD: \$79.77 Million. Distributions YTD: \$83.02 Million. The Net Investment gain YTD was: \$64.13 Million.

Plan Review for Period Ending October 1, 2013 to September 30, 2014 was reviewed by Ms. Stevens. Total assets at September 30, 2014 was \$1.401 Billion. Contributions into the Plan from 10/1/2013 to 9/30/2014 were \$95.12 Million. The average contribution in years past has exceeded \$100 Million. The Net Investment Gain for this period was \$185.94 Million which means that the Plan is up 13.3% on the asset balance. This increase is the result of positive market returns. Ms. Stevens will provide a history of the years when distributions from the Plan exceeded contributions, as requested by Ms. Hubbard. The average account balance has increased which reflects an extensive "cleaning" of DeMinimis accounts conducted over the past few years. The number of participants in the Plan is 37,859 which is down approximately 3,500 participants in five years. Benefit Payment Distribution during this period reflected 2,539 retirement/separation from service full distributions and 2,470 partial distributions. Ms. Stevens will provide a report of the number of rollovers vs. cash distributions. The Plan will be removing the Life Path 2015 Fund and rolling it into the Retirement Fund. The

Minutes

Louisiana Deferred Compensation Meeting

November 18, 2014

Page 3 of 6

2060 Life Plan Fund will be added in 2015. New money coming into the Plan is going to Mid-Cap reflecting an increase from 5.8% to 8% and in Life Path Funds increasing to 12.8% from 10.9%. There was a decrease in Stable Value from 45.1% to 41.3%. Loan remittance payments through payroll deduction became a requirement on July 1, 2014. Of the 438 political subdivisions participating in the Plan, 192 subdivisions are participating in the new procedures, approximately 40%.

Fund and Fee Changes: For clarification purposes, Ms. Stevens provided a review of the action taken by the Commission:

- Administrative fees paid in the first three quarters of 2014 by participants with a balance as of 10/31/2014 are to be refunded by year-end. The refund will come from the Unallocated Plan Account.
- Effective January 1, 2015, the administrative fee structure will change to 18 bps on the first \$50,000 subject to a minimum annual fee of \$10 and a maximum fee of \$90. This will replace the current graded fee structure with a maximum charge of \$95.
- ROTH contributions will be added to the Plan in January, 2015. Note: Enrollment forms will not be available until January 1, which means ROTH contributions won't begin until February, 2015.
- A fund change to lower costs on Touchstone, American Century and Invesco Real Estate will take place in February of 2015.
- BlackRock LifePath 2060 will be added in February of 2015.

Ms. Stevens will provide a ROTH 457 flyer to OSUP for use in communicating this new option to State employees.

Enhanced Retirement Roll-In Services was presented by Ms. Stevens as an option for encouraging participants to keep their money in the Plan after retirement or severance of employment. Ms. Stevens noted that research shows that every year, about half of all funds eligible is rolled to a potentially higher cost IRA or is being cashed out. When a participant wishes to consolidate funds, current Great-West Financial procedures entail a Retirement Plan Counselor assisting the participant in completing an Incoming Transfer form. This form, along with an acceptance letter is mailed to the financial institution. Great-West Financial is now offering an additional enhancement that will authorize Great-West Financial personnel to refer participants to a Retirement Education Services Counselor (RESC) should the participant express interest in rolling in funds from outside retirement accounts. The RESC, who is a licensed representative, would verify the

Minutes
Louisiana Deferred Compensation Meeting
November 18, 2014
Page 4 of 6

wishes of the participant on a recorded line, contact the other carrier, verify the information about the other plan to make sure the fund qualifies and assist with any paperwork required. Participants speaking RESC would be verified by date of birth, Social Security Number and address. The transactions are handled on a recorded line and electronically – no paperwork. As a result, it is necessary to amend the contract. The advantages of this service to the Plan are that participants with 457B contributions and rollover funds are more loyal and are more retirement-ready oriented. There is no additional cost to the Plan for this service. Ms. Stevens will confirm whether or not a written record of the transaction is required. Ms. Hunter will check the contract to confirm that in the case of a change in administrator, recorded records would be the property of the Commission. Mr. Kling motioned that the contract be amended subject to the Attorney General approval. Ms. Burton seconded the motion. There was no objection and the motion carried.

Guided Payroll Services was presented by Ms. Stevens as a way to offer additional assistance to agencies that are not fully automated (political subdivisions). OSUP will not be affected by this new service as state payroll is already fully automated. This enhancement goes into effect on February 16, 2015. The program is considered intuitive in guiding payroll departments in processing contributions.

Unallocated Plan Account Review-October, 2014: Ms. Stevens reviewed the Unallocated Plan Asset Report for the month of October. The cash balance on hand as of September 30, 2014 was \$3.556 Million. Additions to the account included interest for the month of October. The closing balance as of October 31, 2014 was \$3.563 Million.

Revenue Reconciliation Report 3Q14: Ms. Stevens reviewed the Quarterly Fee Reconciliation report noting the following:

- Total fees collected from participants per contract: \$394,703.
- Revenue share collected: \$124,023.
- Total deposits to the Plan account: \$518,727.
- Total fees due to Great-West Retirement Services: (\$430,596).
- Net in UPA: \$88,131.

In Lieu of Contributions: Ms. Stevens reported that the Plan is receiving some initial In Lieu Of contributions before the following month. The rule is that contributions may begin the month after the enrollment paperwork has been received by the Baton Rouge office in good order. Ms. Hubbard noted that participants must place their money in

Minutes

Louisiana Deferred Compensation Meeting

November 18, 2014

Page 5 of 6

some retirement plan each month – Social Security, Retirement, Deferred Comp. Ms. Hunter will provide a copy of the 457 rule that clarifies this issue to each Commission member via email. Ms. Stevens offered to reach out to other Plans to determine how OBRA rules are enforced.

Marketing Report

Ms. Stevens reviewed the Marketing Report for the month of October, 2014. There were 177 new applications, averaging \$2,591 per application and 190 increases and restarts, averaging of \$6,845 per application. The majority of activity in October came from the following agencies: LSU-Baton Rouge, DCFS, LSU Agriculture, DPS-Office of Motor Vehicles, DOTD and the Ascension Parish Sheriff's Office. A phone call is scheduled today with Representative Kevin Pearson regarding adding school boards to the Plan. The largest school boards who have joined so far are, Jefferson Parish and East and West Baton Rouge Parishes.

Other Business

Name Change: Ms. Stevens announced that Great-West has had a name change to Empower Retirement as a result of the merger of three entities, Great-West, Putnam and JP Morgan Retirement Services. Ms. Stevens suggested that LA Deferred

Compensation move in the direction of its own brand to eliminate confusion. The sign in the lobby will be removed and not replaced. A Great-West Financial marketing representative will attend the December, 2014 Commission Retreat to discuss this further.

December Retreat: Ms. Stevens shared the list of speakers scheduled to present at the December, 2014 Retreat which will include, Marilyn Collister, Bill Thornton, Perry Christie, Sarah Flanagan Silcott and Wilshire representatives. Wilshire is responsible for arranging for a key-note speaker at the meeting. The meeting will be held at the Ione Burden Conference Center from 9:00 a.m. to 3:00 p.m. on Tuesday, December 16th.

Plan Document Amendment: Ms. Hunter reported that the Plan Document has been amended as of November 20, 2014. Ms. Hunter will provide a copy of the amended document to the Commission.

Change in General Counsel Representative: Ms. Hunter announced that she was moving to the Department of Agriculture on December 15th. Mr. McGimsey will serve as General Counsel of the Commission until a replacement is selected. Commission members thanked Ms. Hunter for the outstanding service she has provided.

Minutes
Louisiana Deferred Compensation Meeting
October 21, 2014
Page 6 of 6

Adjournment

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 11:09 a.m.

Virginia Burton, Secretary