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Louisiana Deferred Compensation Commission Meeting

October 20, 2015

The Monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, October 20, 2015 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
Len Riviere, Designee of Commissioner of Financial Institutions
Laney Sanders, Participant Member

Members Absent

Whit Kling, Vice-Chairman, Participant Member

Others Present

David Lindberg, Consultant, Wilshire Associates – *By Conference Call*
Steve DiGirolamo, Consultant, Wilshire Associates – *By Conference Call*
Rick McGimsey, Louisiana Attorney General's Office
Danette Rausch, Sr. Director of Partner Strategy, Denver, CO, Empower Retirement
Connie Stevens, Client Relationship Director, Baton Rouge, Empower Retirement
Jo Ann Carrigan, Lead Office Coordinator, Baton Rouge, Empower Retirement

Call to Order

Chairman Bares called the meeting to order at 10:06 a.m.

Approval of Commission Meeting Minutes of August 18, 2015

The minutes of August 18, 2015 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 Reports of September 15, 2015 and October 15, 2015

Ms. Hubbard motioned for acceptance of the Hardship Committee Reports of September 15, 2015 and October 15, 2015. Ms. Burton seconded the motion. The Commission unanimously approved the reports.

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

Administrator's Report

Plan Update as of September 30, 2015 was presented by Ms. Stevens. Assets as of September 30, 2015: \$1,415.58 Billion. Asset change YTD: -\$22.15 Million, Contributions YTD: \$77.35 Million. Distributions YTD: \$74.03 Million. The Net Investment loss YTD was: -\$25.47 Million.

Asset Summary of August and September, 2015: Ms. Stevens pointed out that most of the money in Life Path Index asset classes is in the Life Path Index Retirement Fund which is made up of participants 65 or older or those deliberately selecting this Life Path fund. PIMCO Total Return has 2.82% of assets in the Plan with 10,754 participants. Mr. Lindberg will address this issue later in the meeting.

Unallocated Plan Account Review – August and September, 2015: Ms. Stevens reviewed the UPA Accounts for August and September, 2015. (The Commission did not meet in September.) In August, there was an Empower Retirement payment of \$333.40 which represented the shredding costs associated with removing dated participant files from the Plan Administrator's office. The work was completed in-house so the total bill represents the charges for shredding the documents by Iron Mountain. Cash balance on hand as of September 30, 2015 was \$2.602 Million.

Securities Sold in CSV Portfolio for the months of July and August included Dover Corp 4 7/8%; JP Morgan Chase Global Notes; NCUA Gtd Notes 1.6%; Sysco unsecured notes 2.35% and FHLMC 2.788%.

White Label Operational Discussion

Ms. Rausch presented information related to operational requirements when a Plan moves from regular mutual funds and collective trusts into a White Label Fund. The White Label Fund will be customized specific to the LA Deferred Compensation Plan. The underlying funds that will make up the White Label Fund will be selected from options presented by Mr. Lindberg's team of investment consultants with Wilshire. The Commission will be responsible for monitoring the fund which will require a revision to the Investment Policy Statement. Ms. Rausch presented two product development

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options to consider. 1.) Product developed by Empower Retirement using collective trusts or retail mutual funds that are already on the Empower Retirement platform. The Empower Retirement cost would be \$7,500 per year per unique White Label Fund. Under this option, the recordkeeper would be responsible for assisting in collecting revenue shares. 2.) Product developed by a third party known as the “master custodian.” There would be additional operational steps for Empower Retirement and the master custodian. Due diligence oversight would be delegated to the investment consultant or would be handled by the Commission. Ms. Rausch recommended that when a master custodian is selected, it be selected from the existing master custodians currently in use by Empower Retirement. At this point in time, the master custodian is not acting as the Plan’s recordkeeper. The underlying funds must be on the Empower Retirement form selection list. Trading can be done via election NSCC or automated facsimile as opposed to a fund house that requires telephoning or emailing trades. The revenue sharing would not be accounted for with a master custodian.

In general, making fund changes has no definite requirement to notify participants but it is recommended that best practices (ERISA) procedures be followed (notify participants within 30-60 days via the quarterly participant newsletter, web bulletin and update Fund Fact Sheet). In addition, the Investment Policy Statement would need to be revised, and AAG and Ibbotson would have to be provided with three years worth of history for analysis. For the participant, the investment election would appear as one fund as opposed to each underlying fund. Ms. Stevens presented examples of Fund Fact Sheets for white label funds from Washington State and Indiana. There was discussion related to fees and fee disclosures. Mr. Lindberg stated that the goal is to keep the fees down but to produce modest and consistent out-performance. Participants would continue to have the choice of selecting Target Date funds and Stable Value.

Wilshire Associates-Investment Performance Review

Mr. Lindberg introduced Steve DiGirolamo as a new member of the Wilshire consulting team. Mr. Lindberg presented the State of LA Deferred Compensation Executive Summary of Investment Performance report as of September 30, 2015. Mr. Lindberg pointed out that this particular quarter was the worst performing quarter in the past three years with the US Markets down 7% for the quarter – the first down quarter in eleven consecutive positive quarters. Non-US Markets and bonds were down for the quarter as well. October to date has been very strong with the US Market up 5% and the International Markets up 7%. The Federal Government has delayed raising interest rates

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until sometime in 2016. The PIMCO Total Return Fund was down 1.3% for the quarter versus its benchmark as a result of exposure to high-yield in US Markets and Brazilian debt. Mr. Lindberg recommended replacing this fund in the future once the decision is made related to adopting a White Label Fund. Wilshire will supply additional information on this topic in the future but does not see a need to replace PIMCO until March of 2016 as there is no indication that this fund will get worse in the first quarter.

Mr. Lindberg and Mr. DiGirolamo will present a draft of White Label Fund options to be discussed further at the December Commission Retreat. Ms. Stevens pointed out that if a decision is made in December, participants would be notified in their March statements which would mean that the fund change would occur no earlier than May of 2016. Wilshire's White Label Fund recommendation will include the number of funds and what particular funds will be included.

Marketing Report

Ms. Stevens reviewed the Marketing Report for the month of September, 2015. There were 159 new applications, averaging \$3,305 per application and 148 increases/restarts averaging of \$10,234 per application. There were 68 online enrollments for the quarter with a total of 183 year-to-date. The majority of activity in September came from the following agencies: LSU-Baton Rouge, West Feliciana Parish Sheriff, St Charles Parish Sheriff and the Dept of Wildlife and Fisheries. The group meeting total year-to-date is 1,144 with an annual goal of 1,300.

Other Business

December, 2015 Annual Meeting: Ms. Stevens announced that Annual Commission Retreat will be held at the Renaissance Hotel in the Bienvenue Room on December 15th from 8:30 a.m. – 3:00 p.m. Representatives from American Funds will be bringing the key note presentation.

NAGDCA-2015: Ms. Burton shared highlights from the September, 2015 NAGDCA Conference that she and Ms. Stevens attended in Indianapolis, IN. The 2016 NAGDCA Conference will be held in Denver, CO.

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Adjournment

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 11:40 a.m.

Virginia Burton, Secretary