

MINUTES

Louisiana Deferred Compensation Commission Meeting October 16, 2012

The Monthly Meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, October 16, 2012, 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
Robert Henderson, Participant Member
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

Troy Searles, Participant Member

Others Present

David Lindberg, Consultant, Wilshire Associates, Inc. *By Conference Call*
Lindsey Hunter, Louisiana Attorney General's Office
Theresa Myers, VP Govt. Markets Client Relations, Denver Great-West Financial *By Conference Call*
Connie Stevens, Director, Client Relations and Plan Consultants, Baton Rouge Great-West Financial
Reggie Wheeler, Retirement Plan Consultant, Baton Rouge, Great-West Financial
Jo Ann Carrigan, Lead Office Coordinator, Baton Rouge Great-West Financial

Call to Order

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

Approval of Commission Meeting Minutes of August 21, 2012

The minutes of August 21, 2012 were reviewed. Ms. Burton motioned for acceptance of the minutes. Mr. Kling seconded the motion. The Commission unanimously approved the minutes.

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Acceptance of Hardship Committee Reports of September 14, 2012 and October 5, 2012

Mr. Kling motioned for acceptance of the Hardship Committee Reports of September 14, 2012 and October 5, 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 September 30, 2012 was presented by Ms. Stevens. Assets as of September 30, 2012: \$1.193 Billion. Asset change YTD: \$100.33 Million. Contributions YTD: \$75.15 Million. Distributions YTD: \$65.58 Million. The majority of the change in value has been from investment gains in the Plan. Net Investment gain YTD: \$90.76 Million.

Participation by Asset Class and Investment Option report was reviewed by Ms. Stevens. The mapping of American Funds Growth Fund of America to T. Rowe Price Growth Stock Fund and the mapping of Legg Mason Capital Management Value Trust to the Black Rock Target Date Fund (by date of birth) took place in September, 2012. These changes were reflected in the report.

Commission Activity Fund (CAF): Ms. Stevens presented CAF Account activity for August and September, 2012. August beginning balance: \$3.57 million, ending balance as of September 30, 2012 was \$2.96 million. For the month of August, deductions included payments to the LA Legislative Auditor for the Plan's financial audit, NAGDCA dues and Great-West Life & Annuity recordkeeping. Additions of interest were made in both months.

Name Change: Ms. Burton motioned to change the name of the CAF account from Commission Activity Fund to Unallocated Plan Assets (UPA). Mr. Riviere seconded the motion. There was no discussion and the Commission unanimously approved the motion.

Great-West Rebranding: Ms. Stevens reviewed the new look and logo of Great-West literature and materials that went into effect on September 24, 2012.

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Stable Value - Securities Sold in the month of August: There were an increased number of positions sold in the portfolio during the month of August. Ms. Stevens read a commentary from Al Cunningham, Advised Assets Group Consultant, that explained why the securities were sold and provided a summary of the 30-basis point rate reduction from 3.25% (3rd Quarter) to 2.95% (4th Quarter). Interest rates for new money are at an all time low. Each quarter, 10% of the portfolio is reinvested in new money. The Federal Government has announced that it will keep rates low until labor markets improve. The sales in August represent 6% of portfolio. Corporate sales had shorter maturities and produced a market value gain. New securities purchased had slightly higher yields and slightly longer durations. This activity was not a contributing factor in rate reduction. Mr. Kling inquired whether an analysis of each sale was done to make sure the realized gain's present value was higher than the offsetting income that is being lost and wanted to see the analysis used to determine the sales. requested further analysis of the activity. Ms. Stevens promised a follow-up at the next meeting.

Marketing Report and Website Update: There were 280 new applications received during the months of August and September averaging \$3,526 per application. There were 310 increases and restarts at an average of \$7,519. There has been a marked increase in participants rolling their 300 hours of annual leave into their Deferred Comp accounts. New enrollments came primarily from Calcasieu Parish Sheriff, Medical Center of LA, LSU Med Center-New Orleans, LSU, Baton Rouge and LSU HSC-Shreveport. October is Benefit Fair month.

Reggie Wheeler, Retirement Plan Consultant reviewed his Central Louisiana territory activities with the Commission.

Fiduciary Responsibility of the Commission: Ms. Hunter stated that she will explore the fiduciary responsibilities of the Commission regarding 457 Plans in Louisiana using providers other than Great-West.

Recordkeeping Contract Negotiation Update: Ms. Stevens reported that the latest version of the contract amendments were sent to Ms. Hunter, Mr. McGimsey and Mr. Kling for review. As part of the new contract, cost-savings will be realized by automating features in the Plan such as contributions and loan repayments. Ms. Hubbard reviewed her notes from a meeting with Great-West personnel while attending the NAGDCA Meeting in San Diego relative to specific capabilities of operating the Plan more efficiently. Ms. Hunter indicated that the Commission must set a date when all payrolls must be converted to electronic processing. Great-West has an existing automated system in place that is accessible to each agency allowing for entry of data.

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Ms. Hunter reported that the final contract is very close to being finalized and sees no problem in signing the contract by the end of the year. Ms. Hunter will provide a draft of the contract to Commission members and Wilshire consultants prior to the November Commission meeting. An “Intent to Contract” must be printed in The Advocate by December 10, 2012.

Ms. Hubbard reviewed her notes from two meetings she attended at the NAGDCA Meeting. The speakers addressed auto-enrollment as the way to increase participation in the Plan. It was preferred to do auto-enrollment with auto-escalation. This, however, would require a change in legislation. The Commission decided to begin discussing this option with an approximate 3-year timeframe for full implementation. Ms. Hunter agreed to contact one of the speakers from the meeting to request a behavioral analysis of the Plan.

Roth 457 Plan: Ms. Stevens introduced the idea of implementing the Roth feature that was previously added to the Plan. The demographics of participants most interested in Roth include, young participants and those who retire with 100% income replacement. Mr. Kling agreed that this might be an attractive feature to be added to the Plan for participants wishing to consolidate their investments. The Commission decided to revisit this topic in December, 2012.

Fee Disclosure: Ms. Stevens presented the Department of Labor fee disclosure format to the Commission. It was decided that the ongoing Quarterly Case Reconciliation report was a more thorough review of fee disclosures to the Plan than the Department of Labor report. Ms. Stevens reviewed the article in the September 14, 2012 “Focus on 457” technical newsletter related to participant fee disclosure for governmental plans. The SEC has concluded that the “Participant Fee Disclosure” as formatted by the Department of Labor, does not comply with SEC Rule 482 regarding advertising and marketing. Great-West will notify government plan sponsors when the SEC issues its non-ERISA Plan guidance on fee disclosure and will provide a participant fee disclosure letter. It was suggested that Ms. Stevens show the disclosure, when available, to Ms. Hunter before Commission review.

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Other Business:

US Conference of Mayors Deferred Compensation Program: Ms. Myers reported that through an RFP process, Great-West is the new preferred provider of the US Conference of Mayors Deferred Compensation Program (USCM). There are approximately 13 entities in the state of Louisiana that are affected by this change in record-keeper for the USCM.

November Meeting Change: The Commission Meeting for the month of November was originally scheduled for the week of Thanksgiving. As a result, the meeting will be moved up one week earlier to November 13, 2012. The December meeting is scheduled for December 11, 2012 in New Orleans. Greg Sellers will be the keynote speaker at the December meeting.

NAGDCA Recap: Comments from the NAGDCA Conference were presented throughout the course of the meeting.

Adjournment

With there being no further items of business to come before the Commission, Chairman Emery Bares declared the meeting adjourned at 11:33 a.m.

Virginia Burton, Secretary