

**MINUTES**  
**Louisiana Deferred Compensation Commission Meeting**  
**December 15, 2020**

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, December 15, 2020 via video conference at 10:00 a.m.

**Members Present** *via video conference*

Whit Kling, Chairman, Participant Member  
Virginia Burton, Vice Chairman, Participant Member  
Stewart Guerin, Designee of the Commissioner of Insurance  
Andrea Hubbard, Co-Designee of the Commissioner of Administration  
James Mack, Designee of the LA State Treasurer  
Scott Jolly, Co-Designee of Commissioner of Financial Institution  
Laney Sanders, Secretary, Participant Member

**Members Not Present**

Representative Lance Harris, Designee of the Speaker of the LA House of Representatives  
Senator Ed Price, Designee of the President of the Louisiana State Senate

**Others Present** *via video conference*

Stephen DiGirolamo, CFA – Managing Director, Wilshire Associates  
Craig Cassagne, State of Louisiana Attorney General’s Office, Baton Rouge  
Shannon Dyse, Relationship Manger, Empower Retirement, Baton Rouge  
Rich Massingill, Manager, Participant Engagement, Empower Retirement, Baton Rouge  
Jennifer Bailey, Lead Strategist Participant Mktg Comm Government – Denver  
Michela Palmer, Sr. Communication Strategies Comm Government – Denver  
Jo Ann Carrigan, Sr. Field Administrative Support, Empower Retirement, Baton Rouge

**Call to Order**

Mr. Kling called the meeting to order at 10:00 a.m. Ms. Carrigan called roll of Commission members who were attending the video conference.

**Public Comments**

Mr. Kling stated that the meeting is accessible to the public and invited anyone who had joined the video conference to participate in the call. There were no public comments.

**Approval of Commission Meeting Minutes of November 17, 2020**

The minutes of the November 17, 2020 Commission Meeting were reviewed. Ms. Sanders motioned for acceptance of the November 17, 2020 minutes. Ms. Guerin seconded the motion. The Commission unanimously approved the minutes of November 17, 2020.

Mr. Kling asked that the agenda be revised to receive a report from Stephen DiGirolamo of Wilshire Associates at the beginning of the meeting that was originally scheduled to be presented under “Other Business”.

### **Investment Performance Flash Report as of November 20, 2020**

Mr. DiGirolamo stated that the market has shockingly recovered over the past few quarters compared to the first few challenging quarters. US Equities, quarter-to-date, are up almost 10%. Dynamics have changed within US equities with a pivot point in the market where Small Cap stocks have outperformed Large Cap stocks over the last couple of months. Further, value style investing has outperformed growth style investing, Quarter-to-Date. There are all positive returns in the equity market, quarter-to-date with only two sub-sectors negative, year-to-date. International equities for both developed and emerging markets reflect double-digit returns, quarter-to-date. Fixed Income also has positive returns quarter-to-date. The ten-year yield curve continues to be below 1% -- lower yields for longer periods. These results reflect positive news in terms of what the market is doing at this time. Plan assets are up over \$2 Billion at the end of November. Life Path funds performed as expected with positive absolute performance which means all of our participants over all time-periods are gaining assets. There is no change in how the funds are being managed. BlackRock has done some restructuring within the retirement group over the past week. BlackRock has created a Retirement Solutions Group where the life path group will be housed. Wilshire will meet with BlackRock in December to discuss the new structure of the group but no major issues are anticipated. It has been a difficult year for participants but a brightspot for the year is the strong market returns from the funds resulting in stability in retirement allocation positioning going forward. Mr. Kling asked Mr. DiGirolamo how the energy sector is being evaluated at this time. Mr. DiGirolamo stated that Wilshire has taken down return projection of energy asset classes because of the amount of volatility interjected in the marketplace over the last couple of years. Most money managers are segregating the space more appropriately as it relates to big, petroleum-type companies and mid-stream firms. Most money managers that Wilshire has spoken with have also lowered their allocations. The energy sector has had some recovery over the past two weeks but it remains the worst performing sector in 2020.

### **Private Equity Investing in Defined Contribution Plan**

Mr. DiGirolamo reviewed the June 3, 2020 Dept of Labor Information Letter on Private Equity Investments within Defined Contribution Plans. The key outtakes of the letter include:

- Confirms that ERISA does not prohibit plan fiduciaries from making available an allocation to private equity as part of a DC plan investment option.
- Private equity could be considered as part of a managed asset allocation solution (target date, target risk or balanced fund), but not as a stand alone option.
- Allows fiduciaries to consider if the inclusion of private equity would provide participants with better net of fee, risk adjusted-outcomes.
- Provides a framework of matters for a plan fiduciary to examine when considering private equity.

This informational letter opened up a doorway for private equity managers to talk about private equity investing with plan sponsors like the LA Deferred Comp Plan. Private equities are companies that are not publicly listed and investments from outside participants are needed to grow their businesses. These companies are either going to go public, merge with another firm or will be acquired by another firm to gain value. Exposure to these companies is through private equity funds. Private equity fund-to-fund managers, such as Neuberger Berman, will select 20

private equity funds for example, and those funds will invest in 20 different private companies – two steps away from investing in the actual private company. The objective is to have higher return patterns. The benefits of private equity include strong asset class investment performance and low correlation to traditional asset classes. Private Equity could be used as part of a multi-asset fund or target date fund. Challenges of private equity include:

- Complexity of investment
- Valuation uncertainty
- Liquidity constraints
- Fee structures (two layers of fees)
- Manager selection
- Liability as fiduciaries

Wilshire is not seeing wide-spread adoption of private equities. They could, however, play a part in the future through target date funds from BlackRock or by building the Plan's own target date fund to include private equities. No immediate action is needed. Mr. Kling stated that private equity firms have already contacted Commission members. Mr. Dyse will forward Mr. DiGirolamo's presentation to each member of the Commission after the meeting.

### **Administrator's Report**

**Plan Update as of November 30, 2020:** Mr. Dyse reviewed the Plan Update as of November 30, 2020. Assets as of November 30, 2020: \$2,028.96 Billion; Asset Change YTD: \$152.62 Million; Contributions YTD: \$96.58 Million; Distributions YTD: \$119.93 Million. Net Investment Difference YTD: \$175.97 Million.

**UPA – November 2020:** Mr. Dyse reviewed the UPA report for the month of November, 2020. Additions included gains on contribution corrections and interest for the month of November. Deductions included payment to Capital City Press, State of LA Dept of Justice and Great West Financial. Mr. Dyse stated that the change in participant recoveries at the beginning of the 1<sup>st</sup> quarter is moving forward as it should after the correction was made. The closing balance as of November 30, 2020 was \$1,205,898.52.

**UEW Report – November, 2020:** Mr. Dyse presented the UEW Report for the month of November, 2020. Four requests were submitted and four requests were approved.

### **Securities Sold-October, 2020**

Mr. Dyse reviewed the securities sold during the month of October, 2020.

### **Tarcza Opinion Letter – Employer Participation**

Questions from the Commission regarding Mr. Tarcza's opinion related to employer participation were submitted to Mr. Tarcza in November. To date, no response has been received. Mr. Kling stated that he would follow up Mr. Tarcza after today's meeting. Mr. Cassagne received an email from Mr. Tarcza that confirmed that independent contractors who have a contract with the State of Louisiana are eligible to participate in the Plan.

**Nominating Committee Update:**

Mr. Kling reported that he has received confirmation from two members who are willing to serve on the Nominating Committee. Mr. Kling asked that Commission members provide additional names of potential committee members. Ms. Hubbard volunteered to ask a member of her staff to serve. Mr. Cassagne stated the Plan Document requires that the Nominating Committee consist of three-five members. The election notice requirement is appearing in the upcoming newsletter.

**2021 Commission Meeting Schedule**

Mr. Dyse will send an updated meeting invitation to each member by the end of the week.

**Other Business**

**Update on Louisiana Plan:** Mr. Massingill reported that in early 2020 there were six Retirement Plan Advisors (RPA) in the field. One RPA was promoted and one retired in 2Q20. Two new, fully licensed RPA's have been hired to represent the Baton Rouge area and the Lafayette (Southwest LA) area. The new RPA's will begin meeting with participants in January. The Louisiana Plan is now fully staffed with six RPA's and three administrators.

**Strategic Partnership Plan:** Mr. Dyse requested that the Strategic Partnership Plan be presented at the January, 2021 meeting. This report is usually presented in April. Mr. Dyse invited members to submit topics or areas of focus that should be addressed. Mr. Dyse thanked Ms. Sanders for her topic submission related to participation. The Commission had no objection to presenting the Strategic Partnership Plan in January.

**Adjournment**

With there being no further items of business to come before the Commission, Chairman Kling declared the meeting adjourned at 11:01 a.m.

---

Laney Sanders, Secretary