

**MINUTES**  
**Louisiana Deferred Compensation Commission Meeting**  
**July 18, 2023**

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, July 18, 2023, in the office of the Service Provider, 9100 Bluebonnet Centre Blvd, #203, Baton Rouge, LA, 70809 at 10:00 a.m.

**Members Present**

Virginia Burton, Chairman, Participant Member  
Doug Buras, Co-Designee of Commissioner of Financial Institutions  
Stewart Guerin, Designee of the Commissioner of Insurance-*via video conference*  
Andrea Hubbard, Vice Chairman, Co-Designee of the Commissioner of Administration  
Beverly Hodges, Participant Member  
Julius Roberson, Designee of the LA State Treasurer

**Members Not Present**

Laney Sanders, Secretary, Participant Member  
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**

Michael DeFalco, CPA, Broussard & Company, Lake Charles  
John M. Schroder, State of Louisiana Treasurer  
MaryBeth Daubenspeck, Vice President, Government Markets, Empower, Denver  
Craig Cassagne, State of Louisiana Attorney General's Office, Baton Rouge-*via video conference*  
Brett Robinson, State of Louisiana Attorney General's Office, Baton Rouge  
Karen Monaghan, Sr Client Services Manager, Empower, Denver-*via video conference*  
Shannon Dyse, Relationship Manager, Empower, Baton Rouge  
Jo Ann Carrigan, Sr. Field Administrative Support, Empower, Baton Rouge

**Call to Order**

Ms. Burton called the meeting to order at 10:00 a.m. Ms. Carrigan called roll of Commission members.

**Public Comments**

Ms. Burton stated that the meeting is accessible to the public and invited anyone who had joined the meeting to participate in the call. There were no public comments.

**Plan Audit Report**

Ms. Burton stated that the Audit Committee worked effectively with Mr. DeFalco during the audit procedures. Mr. Buras reported that the completed audit report was reviewed by the Audit Committee and minor, non-substantive changes were submitted to Mr. DeFalco who made the necessary edits. Mr. DeFalco thanked the Commission for the confidence the Commission has extended to him. Mr. DeFalco referenced a required two-page letter addressed to the Commission where he noted that there were no communication issues with Empower or management in completing the audit. Mr. DeFalco commended the responsiveness of Empower representatives, Karen Monaghan, Sr. Client Services Manager and Lisa Reed, Sr. Analyst Financial Systems during his audit preparation. Mr. DeFalco reviewed the findings of his audit noting a drop in assets because of market volatility. There was a notable increase in loan activity. There were fewer distribution withdrawals compared to the previous year. With the new contract, Empower's fees were less

than the previous year. Participant contributions increased slightly year-over-year. Interest and dividends were down from the previous year. Mr. DeFalco reviewed his processes with the Commission which included confirming investments, pricing, taxes associated with distributions, calculations, signature requirements per form and a review of a sampling of loans, withdrawals, rollovers, and contributions. Internal controls (SOC1) were also reviewed. Mr. DeFalco reported that there were no findings, and everything was clean.

Mr. DeFalco reminded the Commission that his contract expires this year and that the Commission has the power to renew his contract for an additional two years at the current pricing. Mr. DeFalco will submit the completed audit report to the Legislative Auditor.

**Swearing in of Laney Sanders** – Postponed until the August 15<sup>th</sup> Commission meeting due to Ms. Sanders' unavoidable absence.

### **Election of Commission Officers**

Paper copies of the Commission Officers' election ballot were completed and submitted by Commission members in attendance. There was a tie for the Vice Chairperson between Ms. Hubbard and Ms. Sanders. Ms. Hodges motioned that Ms. Hubbard serve as Vice Chairperson. Mr. Buras seconded the motion. There were no objections and the motion carried. The results of the Commission Officers' election were as follows:

- Virginia Burton – Chairperson
- Andrea Hubbard – Vice Chairperson
- Laney Sanders – Secretary

### **Approval of Commission Meeting June 13, 2023**

The minutes of the June 13, 2023, Commission Meeting were reviewed. Ms. Hodges motioned to accept the minutes as presented. Mr. Roberson seconded the motion. The Commission unanimously approved the motion.

### **Legislative Auditor – Renewal of Contract (two years)**

Mr. DeFalco's initial contract with the Commission has expired. The Legislative Auditor emailed Mr. Dyse advising the Commission of the opportunity to renew Mr. DeFalco's contract for an additional two years if the Commission is satisfied with the services provided. If the Commission is not satisfied, the Legislative Auditor will provide recommendations of audit firms that can provide similar services. Ms. Hodges motioned to support the renewal of Mr. DeFalco's services for an additional two years. Mr. Buras seconded the motion. There was no objection and the motion passed.

Mr. Roberson presented issues that he would like reviewed from the audit report:

- Page 9: Financial Statements: More detail is needed as to why there is a little over \$4,000,000 in deposit balances but only \$500,000 is covered under FDIC. Mr. Roberson suggested that if there are excess funds, they could be placed in a Money Market account which is heavily regulated offering more security for the funds. Mr. Dyse stated that custody for the Plan is through Empower Trust Company, but he must research the type/instrument of the account. Treasurer Schroder questioned whether the assets are being placed where they can yield the best return for participants.

- **Stable Value Fund:** The report reflects that there is a concentration risk of more than 5% or a third of all plan assets in the Stable Value Fund right now. With an interest rate risk and a concentration risk the Plan could easily get 5% in a money market account.
- For clarity purposes, Mr. Roberson asked if there is a management fee paid to Empower that is associated with the Stable Value Fund. Mr. Roberson was concerned that there may be an appearance of a conflict of interest with the abundance of participant assets in the Stable Value Fund that are also managed by the administrator. Mr. Roberson questioned if this is something that normally happens.

Ms. Daubenspeck shared that the Empower management fee is twenty-five basis points for the Stable Value Fund which is completely transparent. The assets are invested based on the Investment Policy Statement prescribed by the Commission so there is no conflict of interest as the fee is completely transparent and assets are being invested based on the Commission's requirements. Regarding the possibility of getting a higher interest rate on diverse types of investments, Ms. Daubenspeck stated that this is true right now because of the current inverted yield curve environment. There is the potential to get a 5% interest rate on other investments but that would involve short term investing. During the period of time when the interest rate was exceeding expectations, Empower was able to invest in longer terms that resulted in higher interest rates. Currently, the book-to-market value is upside down about 93% book to value ratio. Participants are allowed to move funds to the self-directed account but there may be restrictions on whether the funds can be moved into a money market. The goal is to protect the participants within the portfolio. There are no competing funds within the portfolio. Ms. Daubenspeck offered to research for any restrictions found within the self-directed account. Currently, there is not a money market offered in the account per the Investment Policy Statement. Treasurer Schroder asked Empower to provide the average rate of return. Ms. Burton stated that the Commission has instituted constraints within the Investment Policy Statement to prevent people from using money within the Plan for speculative investment purposes. Ms. Burton also pointed out that the Stable Value Fund has a wrap coverage that provides guarantees of the invested funds thus providing stability especially during market changes as seen in 2008. Ms. Burton stated that the Commission's investment consultant, Stephen DiGirolamo of Wilshire, is scheduled to perform a formal review of the Plan investment line up at the December meeting. Treasurer Schroder asked what the percentage of active participants to retirees are in the Plan. Mr. Dyse shared that a third of all participants in the Plan are retirees. Treasurer Schroder asked Mr. Dyse to investigate who makes the decision on where the cash in the Plan sits. Treasurer Schroder stated that we need to do a much better job at looking at Louisiana first before we look at other options. Treasurer Schroder would like to bring to the attention of the Commission that, when possible, money should be moved to the fixed asset fund. Mr. Dyse offered to provide information related to the Great West Trust Company, custodian of multiple Plans with Empower. Mr. Roberson, Mr. Dyse, Mr. DiGirolamo, and the Commission attorney will work together in reviewing investment options available in the Plan.

- **Page 12 of the Audit:** The reports states that the Plan does not have any custodial credit risk, but it also states that the Plan has no policy regarding custodial credit risk. Mr. Roberson wanted to bring this to the Commission's attention to determine if a custodial credit risk policy is necessary.

Ms. Burton stated that this topic will be reviewed with the Commission's investment consultant, Mr. DiGirolamo.

Ms. Burton asked that Mr. Dyse see that the Audit Report and other pertinent documents such as the Evaluation Committee Report and the Investment Policy Statement, be added to the website. During the August 2023 meeting, Mr. Dyse will provide a list of reports that are posted on the website.

### **Service Provider's Report**

**Plan Update as of June 30, 2023:** Mr. Dyse reviewed the Plan Update as of June 30, 2023. Assets as of June 30, 2023: \$2,130.42 Billion; Asset Change YTD: \$147.85 Million representing a 7.5% increase over last year. Contributions YTD: \$57.06 Million; Distributions YTD: \$74.99 Million. Net Investment Difference YTD: \$165.78 Million.

**UPA – June 2023:** Mr. Dyse presented the June 2023 UPA report. The UPA balance at the end of June was \$1,503,081.75. Additions included interest/dividends. Deductions included Tarcza and Associates, Empower and Duplantier Hrapmann Hogan and Maher.

**UEW Report – June 2023:** Mr. Dyse presented the UEW Report for the month of June 2023. There were eighteen requests submitted and all eighteen were approved.

### **Fund Change Capital Group EuroPacific**

Mr. Dyse shared the communication that was sent to participants regarding the previously approved change in investment option from American Funds EuroPacific GR R6 fund to the Capital Group EuroPacific Growth SA Fund effective August 25, 2023. Mr. Roberson commended Empower for their efforts in notifying participants of changes of this type.

### **Follow-up to May 2023 Commission Topics**

**Investment Policy Statement:** Edits to the Investment Policy Statement (IPS) were submitted to Mr. DiGirolamo and all have been completed except for the request to change bullet point letters to simple bullet points in appendix A, section IV: Approved Investments. Mr. DiGirolamo suggested that the letter format stay the same in this section as the appropriate letters are referenced in Section V: Investment Constraints. The IPS will be reviewed annually starting in December 2023. Ms. Hodges motioned to approve the updated IPS presented. Mr. Roberson seconded the motion. There was no discussion and the motion passed unanimously.

**NAGDCA Registration:** Mr. Dyse provided an overview of the NAGDCA National Conference registration costs and registration deadlines. Two members of the Commission will be attending the meeting in person. Virtual attendance is also an option.

**Board Portals:** Mr. Dyse reported that research is being conducted to find a suitable board portal for the Commission. Mr. Dyse and Ms. Carrigan participated in a virtual presentation by a representative from OnBoard a service currently used by LASERS. The price of the OnBoard service is one-third the price range of those previously presented. OnBoard has an unlimited storage capacity and segmentation functionality is available for use by the various sub-committees of the Commission. All board portals have digital notetaking capability. Mr. Dyse stated that use of a board portal would allow Empower to distribute the meeting reports in a timelier manner prior to the meetings. The number of users should include all Commission members, AG representatives and the investment advisor. Temporary access can also be given, as needed.

### **Other Business**

Mr. Dyse shared that Empower is making progress on implementing the most pressing Secure 2.0 provisions. Empower will be able to implement the removal of the “First Day of the Month” optional provision soon. Since it is an optional provision, a digital election form will be sent to Ms. Burton today

for the purpose of confirming if the Commission will approve this provision. The Commission has one month to submit its reply. Mr. Robinson suggested that this provision be reviewed along with the ongoing changes to the Plan Document being completed by Mr. Tarcza, legal tax advisor, during the August meeting.

Ms. Burton thanked Treasurer Schroder for his attendance and participation in the meeting.

**Adjournment**

With there being no further items of business to come before the Commission, Chairman Burton declared the meeting adjourned at 11:02 a.m.

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Laney Sanders, Secretary