

MINUTES
Louisiana Deferred Compensation Commission Meeting
June 21, 2022

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, June 21, 2022, in the office of the Plan Administrator, 9100 Bluebonnet Centre Blvd, #203, Baton Rouge, LA, 70809 at 10:00 a.m.

Members Present

Whit Kling, Chairman, Participant Member
Virginia Burton, Vice Chairman, Participant Member
Stewart Guerin, Designee of the Commissioner of Insurance
Desiree' Honoré' Thomas, Designee of the Commissioner of Administration
Scott Jolly, Co-Designee of Commissioner of Financial Institution
Julius Roberson, Designee of the LA State Treasurer
Laney Sanders, Secretary, Participant Member

Members Not Present

Andrea Hubbard, Co-Designee of the Commissioner of Administration
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

Brett Robinson, State of Louisiana Attorney General's Office, Baton Rouge
Marybeth Daubenspeck, Vice President, Government Markets, Empower, Denver-*via video conference*
Karen Scott, Sr Client Services Manager, Empower, Denver-*via video conference*
Jennifer Bailey, Lead Strategist Participant Mktg Comm Gov, Denver-*via video conference*
Shannon Dyse, Relationship Manager, Empower, Baton Rouge
Jo Ann Carrigan, Sr. Field Administrative Support, Empower, Baton Rouge

Call to Order

Mr. Kling called the meeting to order at 10:02 a.m. Ms. Carrigan called roll of Commission members.

Public Comments

Mr. Kling 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.

Approval of Commission Meeting Minutes of May 17, 2022

The minutes of the May 17, 2022 Commission Meeting were reviewed. Ms. Sanders motioned to accept the minutes as presented. Ms. Burton seconded the motion. The Commission unanimously approved the motion.

Commission Election Results

Ms. Burton presented the results of the June, 2022 Commission Election announcing that Beverly Hodges is the declared winner of the election with the majority vote. Mr. Jolly motioned to accept the election results as presented. Ms. Sanders seconded the motion. The motion passed unanimously with no further discussion. Mr. Kling stated that Ms. Hodges would take office at the July, 2022 Commission Meeting.

Mr. Kling asked that agenda items 11 and 13 be taken out of order in consideration of the time required for each topic.

Loan Default

Mr. Kling stated that the LA Deferred Comp Commission was originally set up with no administrative staff. The record keeper has for many years been utilized as a designee/signature authorization entity on behalf of the Commission. The recent action taken by the Commission to remove a participant's loan from default generated a "Letter of Instruction and Hold Harmless Agreement" for Ms. Burton's signature. Mr. Kling and Ms. Burton were uncomfortable with the document's text. Mr. Kling stated that he had never seen this type of letter before but was later told that a similar document has been in place and signed by Empower. Mr. Kling stated that over time, the responsibilities, delegations, duties, and authorizations have become unclear and that the wording within the statutes, Plan Documents and contract are at best, unclear and in some cases contradictory regarding what constitutes a "Plan Administrator." For example, the Plan Document references a Plan Administrator as synonymous with the record keeper which is not correct. The contract also interchanges Plan Administrator and record keeper – again not correct. The Signature Delegation Authorization is not clearly defined leading to further confusion related to documents needing authorized signatures. Further, there are several Signature Delegation Authorizations that have been executed over the years where signatures have changed but there have been no termination provisions or precedent status resulting in no termination of prior Signature Delegation Authorization forms. After numerous discussions with Empower, the Attorney General and Mr. Kling, Mr. Kling alerted the Commission that corrective action will be needed after the Attorney General reviews the statutes, Plan Document, and contract regarding delegation responsibilities of the Commission and the record keeper. The Commission and Empower must construct a new signature authorization form that clearly defines specific items for delegation to be reissued with a precedent provision. As it relates specifically to the loan default issue, Mr. Kling encouraged the Commission to discuss Empower's hold harmless letter that is required when removing loans from default. In the past, a similar letter has been executed by Empower on behalf of the Commission. The Commission will have to develop a new default loan and policy provision which may require tax counsel approval. Mr. Kling stated that many of the documents listed on the Signature Authorization Form are obvious, such as an enrollment form. Empower has been signing the Loan Hold Harmless letter on behalf of the Commission in the past which seems to be contradictory. Empower's Loan Hold Harmless letter relates to tax issues which is not the responsibility of Empower or the Attorney General – it is the Commission's responsibility. Mr. Kling stated that Empower has come to the same conclusion that they have been operating in a comfortable manner in relation to signing documents up until the Loan Hold Harmless letter arose. Ms. Burton stated that these issues were not addressed by Empower during the previous meeting when the loan was removed from default and that the Commission operated in accordance with the understanding of

the power that the Commission had. Mr. Kling reiterated that the Empower Loan Hold Harmless letter that was forwarded to Ms. Burton to sign was different from previous letters. Per Mr. Kling, the text of the current letter is onerous. Mr. Dyse agreed that the current Empower Loan Hold Harmless letter is aggressive and needs revision. Further, Mr. Dyse stated that this letter has provided Empower and the Commission to have a first conversation related to the Plan Administrator and record keeper defined roles. Mr. Dyse thanked Mr. Kling for articulating the issue so well and emphasized that this is an excellent time to determine greater role clarity. Mr. Dyse stated that discussion related to role clarity is a good thing for all parties. Mr. Dyse stated that Empower is committed to servicing the Commission – there will be no change in this commitment going forward. Empower can give recommendations and guidance but when there is clear opportunity for the Commission to sign as Plan Administrator, Empower will point this out. Ms. Burton stated that many years ago, Tarca and Associates reviewed all the documents so that the Commission would be in compliance with tax laws. Mr. Dyse stated that the list of documents appearing on previous Signature Delegation Authorization documents has been minimized because the required signature field has been removed from many of the participant forms. Mr. Dyse agreed that when a new Signature Delegation Authorization list was submitted, the point should have been made that the newest form was replacing all previous lists. Mr. Dyse stated that the statute reads that in the event of a loan default, the Commission can determine whether a person can take out a second loan. The current loan policy prohibits participants from taking a second loan if they have previously defaulted on a loan. The Plan Document reads that the Commission can determine whether a participant may take another loan but that would be based on the participant's creditworthiness. Mr. Kling stated that the contract, on section 14P, reads those new loans will be administered by the plan document provisions instead of the statutes. Mr. Kling stated that Empower cannot operate under Plan Document provisions when the statutes over-rule the Plan Document. Mr. Richardson stated that he has discussed this topic with Mr. Cassagne.

Other Business – Draft of Audit Statement

Mr. Kling has received the draft of the audit performed by Mr. DeFalco. The audit report must be accepted by the Commission before filing the report with the Legislative Auditor's office. There were no internal control issues, no exceptions, no non-compliance issues, and no significant material weakness found. The Management Representation Letter was executed before the May, 2022 meeting. Ms. Burton motioned to accept the audit report. Mr. Guerin seconded the motion. There was no objection and the motion passed. Mr. Kling stated he would call the auditor to confirm that all approvals and signatures have been secured.

Mr. Dyse stated that he would present the Administrator's Report prior to the Agency Deconversions topic as this would be covered in the Participant Engagement Activity report later in the meeting.

Administrator's Report

Plan Update as of May 31, 2022: Mr. Dyse reviewed the Plan Update as of May 31, 2022. Assets as of May 31, 2022: \$2,077.86 Billion; Asset Change YTD: -\$208.87 Million representing a 9.1% decrease since end of year, 2021. Contributions YTD: \$48.26 Million; Distributions YTD: \$56.67 Million. Net Investment Difference YTD: -\$200.46 Million.

UPA – May 2022: Mr. Dyse reviewed the UPA report for the month of May, 2022. Additions included interest/dividends for May. Deductions during the month of May included: Great West Financial, LA Dept of Justice and Wilshire Associates Inc. The closing balance as of May 31, 2022, was \$1,180,982.79. Ms. Sanders asked for confirmation of the amount that the Commission wishes to keep in the UPA account. Ms. Burton stated that the objective is to keep enough funds in the account to be able to cover a year’s worth of expenses. Ms. Burton asked Mr. Dyse to refer this question to Wilshire for addressing.

UEW Report - May 2022: Mr. Dyse presented the UEW Report for the month of May, 2022. Eleven requests were submitted and all eleven were approved.

Securities Sold – April and May 2022

Mr. Dyse reviewed the securities sold during the month of April and May 2022 with the Commission.

Quarterly Fee Reconciliation – 1Q22

Mr. Dyse reviewed the 1Q22 Quarterly Fee Reconciliation report pointing out the decrease in the annual participant administrative fee that Empower charges and deducts from the UPA. Also appearing on the report is the increase in the Stable Value Management Fee that was agreed upon a little over a year ago. The Stable Value Management Fee is now at 25 basis points. Prior to this, the fee was around eighteen basis points. The net positive difference for the Plan is a little over \$24,000 per quarter resulting in \$96,000 in savings per year for the Plan. The amount that the participants are paying has not changed at all which may cause the UPA account balance to increase. There may be an opportunity to reduce fees at some point in the future.

Quarterly Plan Review – 1Q22

Mr. Dyse presented the quarterly Plan Review for the first quarter of 2022. Mr. Dyse reviewed the Executive Summary for 1Q22 noting that plan assets decreased by 4.6% from January to March, 2022. The total number of participants with a balance during the first quarter was 37,498. Mr. Dyse reviewed the Percentage of Assets by Asset Class stating that despite the current market conditions, participants have not made demonstrative changes in their asset allocations – very slight variance compared to the end of 2021. Contributions as the end of 2021 as compared to the previous ten years, were the highest they have been in a decade. If the pace continues, contributions will be even greater at year-end 2022. Mr. Dyse noted the rise in contribution rate is an indication that participants are putting more money into the Plan. The Assets by Dollar Amount Report shows that participants are not parking their funds to Stable Value with most funds going into equities and the LifePath Funds. Distributions from the Plan are on par with the last quarter of 2021.

Participant Engagement Activity-May 2022

Mr. Massingill was not present at the meeting as he was presenting at the Livingston Parish Clerk of Court throughout the day. Mr. Dyse re-emphasized that employer engagement is on par with the first quarter and is shaping out to be quite nice compared to previous quarters as illustrated by

the number of enrollments being received. The most active agencies included LSU-Baton Rouge Lafourche Parish Sheriff, DOTD and DPS. Group meetings have been held at several sheriff's offices which continues to be the focus. Mr. Dyse shared that he and Mr. Massingill met with Mr. Jimmy Anthony of RESA last month. LA Deferred Comp information was provided to Mr. Anthony to incorporate in the RESA newsletter which included how to contact Retirement Plan Advisors/set up individual meetings. As Mr. Massingill mentioned at the last meeting, Empower is focusing on retirees and is working with LASERS on this. Mr. Roberson shared that he attended a presentation at the Treasurer's Office by Mr. Massingill and wanted to give kudos for the excellent job done. Mr. Roberson stated that Mr. Massingill was incredibly good at engaging with the attendees stating that one of his colleagues begrudgingly attended the meeting but ended up enrolling because of the excellent presentation. Mr. Dyse thanked the treasurer's office for inviting Mr. Massingill to the meeting.

Mr. Dyse notified the commission of two political subdivisions that have asked to leave the Plan: Iberville Parish Assessor and the West Baton Rouge Parish Assessor. There is a total of fifteen accounts across the two agencies totaling approximately \$1.2 million. There were no direct comments from either agency but as the Commission is aware, a number of entities from Iberville Parish, have previously de-converted. Mr. Dyse stated that he hated that the agencies were leaving but their departure would not have a significant impact on the Plan. The Transfer of Election forms have been received from each agency and the completion deadline will be met.

Mr. Dyse stated that with the increase in group/onsite meetings, individual meetings and retirement readiness review meetings may decrease. Requests to attend onsite meetings will increase especially in September/October during benefit fair/open enrollment season.

NAGDCA Conference: September 18-21, 2022

Mr. Dyse reminded Commission members of the dates of the NAGDCA Conference and asked if anyone was planning to attend as this information would be integral from a Plan Sponsor engagement perspective. Mr. Dyse asked that Commission members let him know as soon as possible if they would be attending the conference in Baltimore, MD this year. Mr. Dyse stated that the conference is always highly informative.

Other Business

Representative Lance Harris: Mr. Kling pointed out that the Commission has never received a letter from the Speaker of the House of Representatives designating a designee to the Commission but stated that Mr. Harris is no longer Chairman of Retirement. The Chairman is usually the designee. Mr. Kling stated that he would send a request asking for a letter of designation from the Speaker of the House. If there is a change in designation, the minutes would have to be corrected noting the correct designee.

Mr. Kling expressed how much he has enjoyed serving on the Commission noting that he has been associated with the Plan for 45 years and 68 days. Mr. Kling was one of the original signees on the Plan. Mr. Kling offered his assistance to the Commission if they had any questions that he might be able to address in the future. Mr. Kling wished everyone the best and that going forward, his grandchildren would have 100% of his time.

Adjournment

With there being no further items of business to come before the Commission, Chairman Kling declared the meeting adjourned at 10:50 a.m.

Laney Sanders, Secretary