

MINUTES

Louisiana Deferred Compensation Commission Meeting

November 13, 2018

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, November 13, 2018 in the offices of the Plan Administrator, 9100 Bluebonnet Centre Blvd., Suite 203, Baton Rouge, Louisiana, 70809.

Members Present

Emery Bares, Chairman, Designee of the Commissioner of Insurance
Whit Kling, Vice-Chairman, Participant Member
Virginia Burton, Secretary, Participant Member
Desiree Honoré Thomas, Assistant Commissioner of Administrator
Doug Buras, Co-Designee of Commissioner of Financial Institution
James Mack, Designee of the LA State Treasurer
Laney Sanders, Participant Member

Members Not Present

Kevin Pearson, Designee of the Speaker of the LA House of Representatives
Margaret Corley, Designee of Senator Barrow Peacock, Designee of John Alario Jr., Louisiana Senate

Others Present

Craig Cassagne, State of Louisiana Attorney General's Office
Marybeth Daubenspeck, Vice President, Government Markets, Empower Retirement
William Thornton, Senior Manager, Client Portfolio Services, AAG *via Conference Call*
Connie Stevens, State Director, Baton Rouge, Empower Retirement
Jo Ann Carrigan, Sr. Field Administrative Support, Baton Rouge, Empower Retirement

Call to Order

Chairman Bares called the meeting to order at 10:00 a.m. Roll call was taken by Jo Ann Carrigan.

Public Comments: There were no public comments.

Approval of Commission Meeting Minutes of October 16, 2018

The minutes of the October 16, 2018 Commission Meeting were reviewed. Mr. Kling motioned for the acceptance of the October 16, 2018 minutes. Ms. Burton seconded the motion. The Commission unanimously approved the minutes.

Acceptance of the Hardship Committee Report of November 7, 2018

The Hardship Committee Reports of November 7, 2018 were reviewed. Mr. Kling motioned for acceptance of the Hardship Committee Report of November 7, 2018. Ms. Honore Thomas seconded the motion. The Commission unanimously approved the reports.

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Administrator's Report

Plan Update as of October 31, 2018: Ms. Stevens presented the Plan Update as of October 31, 2018. Assets as of October 31, 2018: \$1,667.04 Billion; Asset Change YTD: -\$15.15 Million; Contributions YTD: \$80.61 Million; Distributions YTD: \$100.08 Million. Net Investment Difference YTD: \$4.32 Million.

Political Subdivision Deconversion Statistics: Ms. Stevens reviewed de-conversion statistics of agencies that have left the Plan from April, 2016 to November, 2018.

UPA-October, 2018: Ms. Stevens reviewed the UPA for the month of October, 2018. The UPA balance as of September 30, 2018 was \$1,844,505.65. Additions included interest, participant recoveries and contribution corrections. Deductions included NAGDCA expenses. The UPA balance as of October 31, 2018 was \$2,220,130.73. Wilshire will analyze the UPA, participant administrative fee structure and expenses and report back to the Commission in December.

Case Reconciliation-3Q18: Ms. Stevens reviewed the Case Reconciliation 3Q18 report. For the quarter, the Plan collected participant administrative fees. Contractual fees due to Great West for recordkeeping fees were paid, creating a deficit for the Plan. Ms. Stevens reminded the Commission that participant fees were reduced in April, 2018 due to the change to e-delivery of statements. Other Great West revenues included loans, Self Directed Brokerage, Stable Value and Managed Accounts.

Plan Review, 3Q18: Ms. Stevens presented the Plan Review as of September 30, 2018. Assets as of September 30, 2018: \$1,736.74 Billion with an asset change of \$94.06 Million. Contributions in the 12 month trailing period: \$96.97 Million; Distributions: \$130.48 Million. Net Investment Gain for the same period: \$127.57 Million. Ms. Stevens pointed out that there is asset growth even though distributions remain high. The average account balance totals: \$44,455.33. The Plan is routinely "cleaned up" with DeMinimus distributions and there is significant effort made in encouraging participants to increase their deferral amount. Stable Value rates had plateaued at 2.35% but there was an increase in the rate to 2.55% in the fourth quarter. Performance returns through 9/30/2018 reflect a strong US Equity market with bonds in negative territory. In the trailing twelve month period, contributions were up with an increase in contributing participants. Benefit Payment Distribution types: 1 fixed annuity, full withdrawals: DeMinimus (voluntary and forced out), Retirement and Separation from Service were up from the prior 12-month period. There has been a significant increase in the number of Unforeseeable Emergency requests received and processed with no clear explanation as to why so many are being submitted. Minimum Distributions: Increase of 31% to 148 as compared to 113 in the previous period.

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Ms. Stevens pointed out that this figure is an indication that the population within the Plan is aging. There are more participants, than in the past, who fall into the category of “retired” or “separated from service” and are actually withdrawing money. Ms. Stevens was asked to research distribution history to determine the number of participants rolling their money out of the Plan into another. There was discussion related to considering allowing conversion of funds within the Plan to Roth funds – this is not a feature currently available. Ms. Daubenspeck noted that there is a detailed project plan in place within Empower that would assist the Plan in making this change. Ms. Stevens will report back on this topic to the Commission at the December meeting. Ms. Stevens pointed out that the Roth 457 still requires a minimum distribution at 70 ½ years of age unlike a Roth IRA. Mr. Kling asked that Ms. Stevens research the history of the Vanguard Intermediate-Term Treasury Adm as there are 3900 participants in the account but the value in the account dropped by \$3 Million. Outstanding loan balances: \$22 Million with 3,573 participants with loans. On an annual basis, accounts of terminated participants with outstanding loan balances are offset to prevent loan fees from being assessed. There was discussion related to having loan forms updated to include that loan fees may potentially be assessed up to one year after termination and/or increase the frequency of offsetting loans of terminated participants. Ms. Stevens offered to research other plans to determine best practices related to how loan offsets are handled. Participants in the accumulation to pre-retirement phase (ages 30-59) reflect the largest percentage of participants taking advantage of Advisory Services.

Marketing

Plan Activity 3Q18: Ms. Stevens reviewed the Marketing Activity Report for 3Q18 noting a marked increase in new participants from 2Q18 due in large part to the correspondence sent to State employees from Commissioner Jay Dardenne endorsing the Plan. Ms. Stevens will present data at the December meeting that will reflect the actual impact that Commissioner Dardenne’s email had on the Plan. Ms. Daubenspeck encouraged Ms. Stevens to share this information with the Empower team as the positive impact of the memo is obvious. Further, approximately three weeks ago, LASERS sent a memo to all active members encouraging participation in the Plan as part of National Retirement Security Week initiative. Participants are encouraged to enroll via the website. There have been 861 group meetings held year-to-date. The 3Q18 most active agencies were: LSU-New Orleans, LSU HSC-Shreveport, DCFS, DPS-Office of State Police and LSU-Baton Rouge. These figures reflect LSU new-hire residents.

Personalized Participant Communications Update: The Personalized Participant Communications campaign was presented in concept in January, 2018. It is an email campaign to participants designed to address issues related to each participant’s unique situation. Ms. Jennifer Bailey presented the Personalized Participant Communications strategy to the Commission in April, 2018 and the campaign went “live” on July 25, 2018.

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Ms. Stevens reviewed the campaign noting that the emails that are sent are automated, personalized communications. It is all based on what the participant needs to hear “next” so that they may be ready for retirement. Ms. Daubenspeck responded to concerns addressed at the October meeting regarding wording of the emailed correspondence which included:

1. A more prominent display that the “My Total Retirement” (previously known as Managed Accounts) is offered by the Advised Asset Group (AAG).
2. An indication on the email that “My Total Retirement” is an optional service.
3. Notification that there is a fee associated with the “My Total Retirement” service.

Ms. Daubenspeck reported that the Marketing team has met multiple times to discuss the wishes of the Commission. Mr. Daubenspeck reminded the Commission that Personalized Participant Communications are programmed into the recordkeeping system and as a result, changes to the emails could only be made at the time that the correspondence programming is being refreshed. There is ongoing conversation with multiple entities within Empower so that all plans may benefit from suggested changes. An update of the changes and how they will be made will be available next year.

Custom Stable Value

Economic Review: Mr. Thornton presented the Economic Review and Outlook noting that the economy continues to be strong. The Q3 GDP estimates above 3%. Employment continues to be strong with the unemployment rate remaining the same at 3.7%. The current economic cycle, beginning in 2009, will be the longest economic expansion in US history – barring anything unforeseen happening. Inflation has not yet “hit” the consumer but this is a concern. Inflation pressure is building especially on the wage-side. The labor market is extremely tight – there are more job openings than the number of people looking for jobs which suggests wage inflation and turnover in the job market as employees leave to pursue higher wages. The continued trade talks with China remain an economic concern.

Portfolio Review: Mr. Thornton reviewed the quarterly Stable Value Fixed Income report noting that “timing” affected the rates as they appear from quarter to quarter on the report. The good news is that there are some increases in the credited rates as opposed to the flat rate over the past few years. Duration remains on the short side so that money can be reinvested in higher rates. There have been minor changes in the portfolio but nothing major. The credited rate for the past three quarters has been 2.35%. Participant total returns remain higher than money markets and most general account products.

Credit Letter: Mr. Thornton reviewed the credit letter noting there were no changes with only the Lehman Brothers Bond as the only holding outside of the Investment Objectives and Guidelines. The sixteenth distribution from this bond was received in October. It appears that the amount of funds that will be received from this bankruptcy filing will exceed expectations.

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Securities Sold, July and August, 2018: Mr. Thornton alerted the Commission to the printed list of securities sold during the months of July and August, 2018.

Other Business

Ms. Stevens reminded Commission members that the December meeting will be held at the Ione Burden Center in Baton Rouge and will begin at 10:00 a.m on December 18, 2018. Wilshire representatives are the planned speakers at the retreat. Topics will include: administrative fees, costs of the Plan and possibly, the fund line up (Target Date Funds). Marilyn Collister, via WebEx, will offer fiduciary training.

Adjournment

With there being no further items of business to come before the Commission, Chairman Bares declared the meeting adjourned at 11:00 a.m.

Virginia Burton, Secretary