

**MINUTES**  
**Louisiana Deferred Compensation Commission Meeting**  
**November 17, 2020**

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, November 17, 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

**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** *via video conference*

John M. Schroeder, LA State Treasurer  
William Thornton, Senior Manager, Client Portfolio Services, AAG, Denver  
Marybeth Daubenspeck, Vice President, Government Markets, Empower Retirement, Denver  
Shannon Dyse, Relationship Manger, Empower Retirement, Baton Rouge  
Rich Massingill, Manager, Participant Engagement, Empower Retirement, Baton Rouge  
Karen Scott, Sr. Client Service Manager, 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

Mr. Dyse began the meeting by asking that Commission members identify themselves by name when making motions so that it is clear who is speaking when listening to the recorded minutes.

**Call to Order**

Mr. Kling called the meeting to order at 10:01 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 October 20, 2020**

The minutes of the October 20, 2020 Commission Meeting were reviewed. Ms. Burton motioned for acceptance of the October 20, 2020 minutes. Ms. Hubbard seconded the motion. The Commission unanimously approved the minutes of October 20, 2020.

### **Economic Review & Outlook**

Mr. Thornton stated that the economy is slowly coming back. There was a robust rebound to the GDP in the third quarter but this increase does not make up for everything. If the economy dropped to 31% in the 2<sup>nd</sup> quarter, a 33% rebound in the third quarter reflects only 91% of the GDP rate at the end of the first quarter. The equity market is a little ahead of itself but this does not translate to the bond side. The ten-year treasury as of this morning was at 87 basis points. The Stable Value Fund operates closer to the three-year duration which is at 22 basis points. The Federal Government has been forthright in stating that they are not going to step in to raise rates until 2023. Coronavirus vaccine availability may have an impact on these rates. Spreads have been drifting lower and will continue to do so. There has been a robust demand which continues to drive prices up resulting in lower yields. Rates will continue to remain low for the foreseeable future.

### **Stable Value Fund – 2Q20**

Market-to-book continues to be very robust. The credit rate will continue to come down but the nice thing about the Stable Value Fund is that this is a slow process. There were no big changes in allocations with a slight increase on the corporate bond side.

### **Credit Letter**

The only downgraded holding is the Lehman Brothers Unsecured Notes bond purchased in November, 2005. Even with the drop in the economy, there has been little to no downgrading of any bond within the Stable Value Fund. There are no derivative securities being used within the stable value portfolio at this time. Mr. Kling asked Mr. Thornton to report on what derivative index will be used going forward. Mr. Thornton stated that with the Mass Mutual integration, the investment team is expanding to include seven new individuals with some having extensive derivative background.

### **Neuberger Berman/DC & PE Offer**

No report was available as Mr. DiGirolamo was not in attendance at the meeting.

### **Administrator's Report**

**Plan Update as of October 31, 2020:** Ms. Carrigan reviewed Plan Updates as of October 31, 2020. Assets as of October 31, 2020: \$1,906.48 Billion; Asset Change YTD: \$30.14 Million; Contributions YTD: \$87.79 Million; Distributions YTD: \$110.12 Million. Net Investment Difference YTD: \$52.47 Million.

**UPA – October 2020:** Ms. Carrigan reviewed the UPA report for the month of October, 2020. Additions included gains on contribution corrections, participant recoveries and interest for the month of October. Deductions included payment to Wilshire Associates. The closing balance as of October 31, 2020 was \$1,648,993.45.

**UEW Report – October 2020:** Ms. Carrigan presented the UEW Report for the month of October, 2020. Four requests were submitted and four requests were approved.

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

Ms. Carrigan reviewed the securities sold during the month of September, 2020.

### **Participant Distribution Issue**

Mr. Dyse presented a participant's complaint related to his inability to transact a partial distribution online. The participant had previously been able to submit a distribution request online but in his last attempt to do so, he was prompted to call Empower Retirement to transact his distribution. There were three notable events related to the participant's efforts to withdraw funds:

- The participant had a difficult time reaching someone in a timely manner when calling the number provided.
- Once the participant was able to speak with someone, he shared that he was frustrated that the ability to process a distribution online had been taken from him.
- The participant spoke with a more senior member the Empower Retirement call center who presented distribution options to the participant that included:
  - Processing of the distribution over the phone.
  - Removing the restriction from his online account thus allowing the participant to process distributions via his website going forward.
  - Processing the distribution using a paper form. A form was mailed to the participant.

The participant, in his frustration, threatened to remove all of his funds from the Plan. Empower Retirement removed all restrictions from the participant's account.

Mr. Dyse explained that the Commission voted in April to add the Retirement Solutions Group to the Plan in an effort to provide a more robust emphasis on options available to participants after retirement. The primary goal of the Retirement Solutions Group is to keep assets in the Plan. Participants are not encouraged to fully liquidate their funds unless it is absolutely necessary. Many participants are unaware that they may leave their money in the Plan after retirement. Mr. Dyse stated that it was not the intention to keep this participant's money from him. Mr. Kling stated that the process is a good one and it appears that in this particular instance, the issue was a matter of perception by the participant. Empower appears to have done everything possible to alleviate the problem. Mr. Dyse stated that there is an account value threshold set that determines whether or not the restriction is activated. Mr. Dyse offered to provide the exact threshold amount should the Commission express an interest. Ms. Hubbard stated that this particular participant escalated his complaint to the Commissioner of Administration, Jay Dardenne. Ms. Hubbard stated that the participant is satisfied with the responses provided by Mr. Dyse. Mr. Kling stated that there would be no changes to the current process. Mr. Guerin asked if there were any other complaints of this nature and Mr. Dyse replied that there were no other complaints that he was aware of.

### **Tarcza Opinion-Employer Participation**

Mr. Kling reported that Mr. Tarcza, tax counsel, responded to the Commission's opinion request to review the ability of entities to remove themselves from the Plan. Based on the response

received from Mr. Tarcza, the LA Deferred Comp Plan is not an exclusive Plan. There is no specific statutory citation that would preclude a political subdivision from establishing its own 457 Plan. Mr. Kling stated that the problem with entities moving in and out without any advanced notice is that it impacts participant levels and, as a consequence, has a long-term impact on fees and costs to remaining participants. Mr. Tarcza's response also included that the Commission has the authority to adopt rules regarding entity participation and withdrawal from the Plan. Mr. Kling stated that it is not unusual for 457 plans to have a policy related to entering and withdrawing from the Plan and that in fact, the Mississippi Plan has something like this already in place. The Commission agreed that there should be a specific process involved in leaving the Plan which would require a Plan change but no legislative action. Mr. Kling will send a copy of the MS Plan's policy to each Commission member. Ms. Burton, Ms. Hubbard and Mr. Mack were not clear on Mr. Tarcza's response as it relates to moving money from participant accounts to a new Plan. Specifically, Mr. Kling will ask Mr. Tarcza to clarify if rollover paperwork is required from each participant to execute the transition to a new Plan. Further, Ms. Hubbard asked if Mr. Tarcza would clarify that when an entity chooses to move to another Plan, does the existing money stay in the LA Deferred Comp Plan only to move when rollover forms are completed by each participant. Ms. Burton requested that Empower Retirement research any other State Plan documents that may be available related to this topic. Mr. Kling released Iberville Parish Council from the Plan, as requested.

### **Cares Act Distribution Report**

Mr. Dyse shared that as of November 1, 2020, there have been 1,013 distributions from the Plan under the Cares Act distribution provision. Of that total, 702 participants withdrew more than half of their account balance.

### **Plan Review-July 1-September 30, 2020**

Mr. Dyse shared that assets grew by almost \$78 Million (4%) from June 30 to September 30, 2020. Contributions during the third quarter totaled \$27.03 Million. There were 37,660 participants in the Plan during the period of July 1 – September 30, 2020. The total number of participants is defined by the number of statements that are issued at any time during the year. Mr. Dyse stated that the Plan continues to grow and is headed in the right direction. The number of participating members has dropped possibly due to the pandemic. The Stable Value Fund is not the dominate fund in the Plan. At the Plan level there is good diversification. Well over 60% of contributions are going to equity-like funds vs. 30-35% going to bond-type funds. Over the past three months, there has been a shift in distribution trends from the primary withdrawal reason being "Separation from Service" to "Virus Relief".

### **RMD Set Up Addendum**

Mr. Dyse stated that the Commission had previously approved the move to utilize Empower Retirement's "Required Minimum Distribution Full Service". Mr. Dyse reviewed a document that provided information related to how the RMD Full-Service functionality will be built out for the Plan. Mr. Dyse asked the Commission to acknowledge the members understand how this service will move forward. Ms. Scott stated that the Plan Document was reviewed prior to completing the Plan setup checklist so that the setup is in alignment with the Plan Document. Ms. Carrigan reviewed the information submitted by Ms. Scott. Mr. Kling stated that he has reviewed the information and concurs that the information provided is aligned with the Plan Document. Mr.

Kling stated that there is an issue that has been raised regarding one of the items in the CARES Act and how it aligns with the Plan Document. Mr. Tarcza has been asked to review this item. Ms. Scott stated that the “Age 72 RMD” provision and the beneficiary pay out extension of the Secure Act will be reflected in the RMD set-up. Mr. Kling stated that the Commission acknowledges the addendum provided with the caveat previously noted.

### **Secure Act: Qualified Distributions**

Mr. Dyse asked the Commission if it was their intent to allow participants to have access to all money sources within their account when electing to take advantage of the Secure Act-Qualified Birth and Adoption distribution. Ms. Scott confirmed that the assumption is that distributions will be pro-rata unless otherwise specified. Insurance and self-directed account balances would be restricted – not to be included as part of the pay-out. Mr. Mack motioned to follow the guideline that all money sources be allowed and distributions be processed pro-rata unless otherwise specified. Insurance and self-directed account balances would be precluded in Qualified Birth and Adoption requests. Mr. Jolly seconded the motion. The motion passed unanimously.

### **Life Insurance Inside of 98228-01**

Mr. Dyse noted that there is an opportunity to move away from manual processing to automated payments of insurance premiums to those participants who have insurance policies. The total number of participants with policies is five – three active and two terminated participants. Ms. Scott was contacted by a member of the Empower Retirement operations team to ask the Commission to move to what is considered a best practice of moving from a manual process to an automated one. The move will require an outreach by Empower Retirement to the insurance provider to coordinate the automation of the payouts to the three active individuals. Further, the two terminated participants will be contacted by mail giving them a choice to surrender the cash value of the policy or change the ownership of the policy to be outside of the Plan. Ms. Scott stated that the payment process will be easier to follow by the both the participant and Empower Retirement using the proposed automated method. Ms. Burton motioned that the proposed changes in moving insurance premium payouts to an automated system be approved. Mr. Guerin seconded the motion. There was no objection and motion passed unanimously.

### **Nominating Committee Update:**

Mr. Kling reported that he has not received a response from the individuals that he asked to serve on the Nominating Committee. Mr. Kling asked that Commission members provide additional names of potential committee members. Ms. Burton suggested that members of the Hardship Committee be asked to serve. Ms. Burton is up for re-election in July of 2021.

### **Other Business**

Mr. Kling announced that there will be a regularly scheduled, virtual Commission Meeting on December 15, 2020. The December Retreat has been postponed due to the pandemic.

### **Adjournment**

With there being no further items of business to come before the Commission, Chairman Kling declared the meeting adjourned at 11:12 a.m.

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Laney Sanders, Secretary