

MINUTES
Louisiana Deferred Compensation Commission Meeting
November 19, 2019

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, November 19, 2019 in the offices of the Plan Administrator, 9100 Bluebonnet Centre Blvd., Suite 203, Baton Rouge, Louisiana, 70809.

Members Present

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
John Schroder, LA State Treasurer
Laney Sanders, Secretary, Participant Member
P. Scott Jolly, Co-Designee of Commissioner of Financial Institution

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
Nate Simons, Assistant Portfolio Manager, Empower Retirement - Denver Office *via conference call*
Marie Mildensberg, AVP Portfolio Manager, Empower Retirement – Denver Office *via conference call*
Shannon Dyse, Relationship Manger, Empower Retirement, Baton Rouge
Rich Massingill, Manager of Participant Engagement, Empower Retirement, Baton Rouge
Jo Ann Carrigan, Sr. Field Administrative Support, Empower Retirement, Baton Rouge

Call to Order

Chairman Kling called the meeting to order at 10:00 a.m. Ms. Carrigan called roll of members in attendance.

Public Comments: Mr. Andrew Barry and A.J. Planchard were in attendance.

Loan Default Discussion

Mr. Kling presented the Commission with a loan default scenario from a participant requesting that the loan be removed from default status and that the remittance schedule be reamortized. The loan was taken out in January of 2017 in the amount of \$50,000. The participant is employed as a nine month employee. Procedures are currently in place to handle payments from nine month employees but those procedures were not in place at the time this particular loan was processed. The participant wrote checks to pay three months worth of loan payments for two summers but then made arrangements with payroll for the amount of the monthly payments to be increased to

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cover the payments for the summer months. The payroll did not increase the loan payments as arranged and as a result, the participant defaulted on the loan. The participant insisted that the "late loan payment" letter mailed on August 16, 2019 was not received. The participant acknowledged that

the "default" letter, mailed on October 1, 2019 was received. Both letters were sent to the same address. Ms. Burton recommended that the Commission establish a policy much like other retirement systems whereby a letter is received from the particular agency acknowledging "administrative error" so that the Commission could rule on loan default issues. The participant's husband spoke on behalf of his wife's request noting that the "late loan" letter was never received and suggesting that there be a higher level of notification to prevent loan defaults from happening in the future. Further, the statement was made that treating the loan as a taxable event as a result of default would create a hardship for the participant. Mr. Kling reminded the Commission that loan default procedures were changed in March of 2019 whereby late loan and loan default notifications be mailed via USPS instead of via email. Mr. Kling asked the Commission and Empower Retirement whether or not loan notifications should be processed via certified or registered mail going forward. Mr. Schroder stated that with the level of importance, late loan and default notifications must be sent beyond the regular scope of mail noting that he does not rely on regular mail for shipment of any legal documents. There was further discussion regarding notification to the local office so that intervention could be made on behalf of the participant to prevent default. Ms. Burton motioned that the Commission approve the participant's request to remove the loan from default as a result of administrative error and to have the loan remittance schedule reamortized. Further, Mr. Dyse was instructed to review procedures and make recommendations for improving how notification of late and defaulted loans are handled. Ms. Sanders seconded the motion. The Commission unanimously approved the motion.

Update: Louisiana Service Team

Mr. Dyse announced the following promotions and/or additions to the Louisiana team:

- Mr. Wayne Veal – Promoted to Lead Retirement Plan Advisor position.
- Ms. Lakeisha Rose – Hired as a Field Administrator (taking the place of Susan Allsup who recently left Empower Retirement).
- Mr. Rich Massingill – Hired as Manager of Participant Engagement for Louisiana and Mississippi.

Mr. Massingill introduced himself to the Commission sharing that he recently moved from Florida where he was a financial and retirement advisor and helped build a financial wellness program focusing on a national team that performed education engagement with plan participants (group and individual). Mr. Massingill stated that he was excited to get started and was looking forward to getting to know and work with the Commission.

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Approval of Commission Meeting Minutes of October 15, 2019

The minutes of the October 15, 2019 Commission Meeting were reviewed. Ms. Burton motioned for the acceptance of the October 15, 2019 minutes. Ms. Hubbard seconded the motion. The Commission unanimously approved the minutes of October 15, 2019.

Acceptance of the UEW Hardship Report – October, 2019

The UEW Hardship report of October, 2019 was reviewed. Ms. Hubbard pointed out that tabs from previous months on the distribution to the Commission included specific information not normally included in reports. Ms. Carrigan assured the Commission that this type of information will be removed from future distributions. Ms. Burton motioned to accept the UEW Hardship Report. Ms. Sanders seconded the motion. The Commission unanimously approved the UEW Hardship Report of October, 2019,

Administrator's Report

Plan Update as of October 31, 2019: Mr. Dyse presented the Plan Update as of October 31, 2019. Assets as of October 31, 2019: \$1,819.42 Billion; Asset Change YTD: \$203.67 Million; Contributions YTD: \$88.64 Million; Distributions YTD: \$100.93 Million. Net Investment Difference YTD: \$215.96 Million.

3Q19 Marketing Report: Mr. Dyse noted that the number of new participants in the Plan during 3Q19 was 938 compared to 1,112 in 2018. Group meetings held (YTD) total 997 which is 102% of the quarterly goal. The highest participating agencies included: LSU Medical Center-New Orleans, LSU HSC-Shreveport, LSU-Baton Rouge, DOTD and St Tammany Parish Sheriff's Office.

UPA-October, 2019: Mr. Dyse reviewed the UPA for the month of October, 2019 reflecting an ending balance \$1,869,159.21. Additions included interest for the month of October, participant recoveries and overpayment correction. Deductions included payment to the State of LA Department of Justice, Wilshire Associates and Tarcza & Associates, Attorneys at Law. Mr. Kling stated that the new fee schedule goes into effect in January, 2019 which should "level out" the UPA balance.

Case Reconciliation – 3Q19: Mr. Dyse reviewed the Quarterly Fee Reconciliation with the Commission.

Leaving the Plan: Iberville Parish Sheriff and Richland Parish Sheriff: Mr. Dyse reported that "Notice of Termination of Services and Request for Information" letters have been received from Iberville Parish Sheriff and Richland Parish Sheriff. Mr. Dyse stated that he has emailed both agencies but has not yet received a response. Going forward, Mr. Dyse announced that he

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will make phone calls to the agencies if no response is received from the emails sent and will stop by the Sheriff's Association today. Mr. Dyse shared that there was a similar threat in the State of MS where one county was following the lead of another. In response, Mr. Dyse put together a simple presentation that highlighted the merits of staying with the Deferred Compensation Plan. The process took a year to complete but all 81 county boards were presented with the information. As a result, three county relationships left the Plan but the remaining 78 stayed in the Plan.

Custom Stable Value

Mr. Simons and Ms. Mendelsberg presented the Capital Markets Overview-4Q19 noting that the United States is strong with the consumer remaining resilient and inflation remaining elusive. The US GDP is about ½ of what it was a year ago. PMI's are sub-50 but the service PMI's remain above 50. Global Central Banks went from "tight" in 2018 to "easy" resulting in strong capital markets. The US remains the relative bright spot in terms of equity performance compared to the rest of the world:

- United Kingdom: Struggling because of Brexit
- Europe: Struggling because of the trade wars (strong partnership with China)
- Japan: Struggling for a number of years

The only area of investment grade markets that has struggled is within mortgage back securities related to pre-paid flexibility. Trade escalations are impacting economic growth. Leading economic indicators have been dipping but they appear to be troughing. Unemployment is at 3.5%. The only area of uncertainty in the US is in auto sales. Small business drives the United States' economy. Overall, for the year, the Federal government is probably done cutting rates having done so three times in 2019.

Market value of assets compared to the book value of liabilities continues to improve which is a function of lowering interest rates. The only other change within the portfolio strategy is a reduction in MBS in preference for treasuries and other securities that don't have the pre-payment optionality embedded within the structure.

Cooperative Endeavor Agreement with the Attorney General's Office for Legal Services-

July 2, 2019-June 30, 2022: The current agreement expired in June, 2019. The new agreement is the same as the previous agreement. Mr. Schroder motioned to accept the new agreement. Mr. Guerin seconded the motion. The Commission unanimously approved the motion.

Other Business

Tarcza and Associates-Review of services: Mr. Kling reported that Mr. Tarcza seems to have taken the position that the Commission tag along to the agreement that the retirement system has in place. Mr. Kling is not clear on how or why the Commission would do this and will speak with

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Mr. Tarcza again. Mr. Kling will also speak with Mr. Cassagne about discussing the fee structure with Mr. Tarcza and/or what the options may be should alternate legal services be necessary.

Cyber-Security: Mr. Schroder stated that cyber-security is an issue that must be reviewed and encouraged the Commission to perform due diligence especially with the people managing money. Further, efforts should be made to ensure that funds are protected in any way that they can be protected. Mr. Schroder asked what happens to the money if the entity is attacked – who is liable? This type of conversation needs to be had and vulnerabilities need to be reviewed which he has just completed with the Department of Treasury. Mr. Schroder stated that the Commission doesn't want to wait until "something happens" to find out if there is a problem. Mr. Kling stated that he would instruct Empower Retirement to provide what type of security is in place and present that information to Mr. Schroder and the Commission during the January, 2020 meeting. Mr. Kling noted that a site visit was made in September to Wilshire Associates. Mr. Dyse stated that this topic is heightened across the entire financial services industry. Mr. Dyse pointed out that Empower Retirement offers a guarantee that if an account is compromised (*and the member is not at fault*), the account is restored by Empower Retirement at 100%--no questions asked.

December Retreat: Mr. Dyse reminded the Commission that the December 17th meeting will be held at the Burden Center on Essen Lane. Mr. Kling reminded the Commission that there will be a presentation related to GASB changes which may impact audit processes. After the presentation in December, Ms. Hubbard suggested that Aaron Cooper, CPA be contacted to discuss the changes.

Comments from Mr. Planchard: Mr. Kling welcomed retired judge, A.J. Planchard to the meeting. Mr. Planchard shared that he came to the meeting for information only. Mr. Planchard described himself as a long-time member that is absolutely satisfied and is one of the Plan's largest supporters. Per Mr. Planchard, the LA Deferred Comp is absolutely the answer to retirement. Mr. Planchard has spoken highly of the program with the judges encouraging them to begin participating as early as possible.

Adjournment

With there being no further items of business to come before the Commission, Chairman Kling declared the meeting adjourned at 11:03 p.m.



Laney Sanders, Secretary