

MINUTES
Louisiana Deferred Compensation Commission Meeting
February 11, 2020

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, February 11, 2020 in the offices of the Plan Administrator, 9100 Bluebonnet Centre Blvd., Suite 203, Baton Rouge, Louisiana, 70809.

Members Present

Whit Kling, Chairman, Participant Member
Andrea Hubbard, Co-Designee of the Commissioner of Administration
James Mack, Designee of the LA State Treasurer
Laney Sanders, Secretary, Participant Member
Scott Jolly, Co-Designee of Commissioner of Financial Institution

Members Not Present

Virginia Burton, Vice Chairman, Participant Member
Stewart Guerin, Designee of the Commissioner of Insurance
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

Rachel Abbott, Channel Director-Government Markets, Empower Retirement-Denver *via conference call*
Marybeth Daubenspeck, Vice President, Government Markets, Empower Retirement, Denver *via conference call*
Danette Rausch, AVP Partner Strategy, Government Markets, Empower Retirement, Denver *via conference call*
Stephen DiGirolamo, CFA – Managing Director, Wilshire Associates
William Thornton, Senior Manager, Client Portfolio Services, AAG, Denver *via conference call*
Craig Cassagne, State of Louisiana Attorney General’s Office
Shannon Dyse, Relationship Manger, 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 10:02 a.m. Ms. Carrigan called roll of members in attendance.

Public Comments: No public comments.

Retirement Solutions Group

Ms. Abbott presented the role that the Retirement Solutions Group plays which is primarily an extension of the General Call Center. Whereas the General Call Center focuses on efficiency, accuracy and one-call resolution, the Retirement Solutions Group focuses on consultative conversations that drive financial well-being and retirement income. RSG works with pre-retirees with a focus on being ready to retire. The group consists of highly qualified and tenured

representatives who are FINRA licensed with financial planning designations and state licensing. Ms. Abbott reviewed the customer engagement model (an acronym after company name, EMPOWER) emphasizing that the engagement model does not depend on scripts. Representatives are trained to be active listeners so that they may tailor conversations to address any participant need. RSG can be contacted directly by the participant or by Retirement Plan Advisors (a “warm hand off”) in processing incoming transfers. From the Plan Sponsor perspective, RSG relieves administrative burden by conducting paperless roll-ins and eliminating the necessity of a plan sponsor signature. RSG statistics:

- One of three participants who speak with RSG representatives roll money into the Plan.
- The average roll-in amount is \$41,000 (government clients).
- The average annual deferral rate increase is 9%.
- The average annual plan asset increase is 6%.

RSG also takes a pro-active approach to optimizing the value of the Plan. Studies show that business is lost to pre-existing relationships. RSG sends an email to all newly-enrolled participants with the goal of increasing awareness of a “welcome call” consultation where appointments may be set up. RSG engages with terminated participants (job changers and retirees) to assist in educating them in distribution options. Leveraging distribution programs has a positive impact on reducing cash-out activity and improving in-plan retention. Forty percent of assets of participants who speak with RSG representatives stay in the Plan. Personalized emails and videos are also available for reference. Ms. Abbott pointed out that the relationship between RSG and Managed Accounts is a “value add” arrangement. RSG service is available at no additional cost to the Plan. Mr. Dyse stated that RSG is a valuable service offering that can be turned on or off at the Commission’s discretion. Mr. Dyse explained that the RSG is viewed as an extension of the six field representatives assisting with both the front and back-end of participant activity. Ms. Abbott shared that individual participants may opt out of the service. The Commission decided to initiate RSG for the Plan.

Approval of Commission Meeting Minutes of January 14, 2020

The minutes of the January 14, 2020 Commission Meeting were reviewed. Ms. Hubbard motioned for the acceptance of the January 14, 2020 minutes. Mr. Mack seconded the motion. The Commission unanimously approved the minutes of January 14, 2020.

Administrator’s Report

Plan Update as of January 31, 2020: Mr. Dyse announced that a correction (a transposition of contributions/distributions figures) was made to the Plan Overview page that was forwarded to Commission members prior to the meeting. Mr. Dyse presented the corrected Plan Overview as of January 31, 2020. Assets as of January 31, 2020: \$1,879.30 Billion; Asset Change YTD: \$2.96 Million; Contributions YTD: \$10.65 Million; Distributions YTD: \$11.10 Million. Net Investment Difference YTD: \$3.41 Million.

UPA-January 2020: Mr. Dyse reviewed the UPA for the month of January 2020 reflecting an ending balance \$1,795,281.15. Additions included interest and participant recoveries for the month of January. Deductions included NAGDCA fees, State of LA Dept of Justice and Wilshire Associates.

Case Reconciliation, 4Q19: Mr. Dyse reviewed the Quarterly Fee Reconciliation report with the Commission. The fee change, effective January 2020, will be reflected on April 2020 report.

Target Date Fund 2065 Update: Mr. Dyse reviewed correspondence to be posted to the website regarding the addition of the Blackrock 2065 Fund and the Qualified Default Investment Alternative (QDIA). Communication will be on the website and also in the upcoming newsletter. Participants initially funding the investment are the participants with a birth year of 2000 and later but are currently in the BlackRock 2060 fund (approximately 100 participants).

Late Loan Notification Update: On request of the Commission, Mr. Dyse presented the current loan notification procedures along with updated additions. Mr. Dyse reported that sending late loan notices to participants in non-LAgov agencies via registered mail would be arduous. Instead, additional steps have been added with the intent of limiting the number of late loan payments thus minimizing the number of loan defaults. The Baton Rouge office will begin the following:

1. Notifying the non-LAgov employer at the time a loan is taken out by a member of the employer's agency.
2. Contacting employees and employers to make them aware of late loan payments.

Ms. Rausch stated that the process continues to be reviewed for greater enhancements.

Mr. Kling stated that these changes will not completely eliminate loan defaults but is confident that the changes will minimize the number going forward. Further, Mr. Kling stated that under the rules of the contract, the loan process has been delegated to Empower Retirement who is responsible for setting loan procedure. Mr. Kling stated that Empower Retirement has worked with the Commission and probably has gone farther than the contract requires...giving credit where credit is due.

UEW Report, January 2020: The UEW Report for January, 2020 was reviewed. At the request of the Commission, a new column was added to the report to include a means of identifying each case. Case numbers are not available so a column was added to the report to include the last 4 digits of participant Social Security Numbers. Should a need arise to research a particular case, a more detailed report is accessible by Empower Retirement.

Participant UEW Appeal: Mr. Dyse reviewed UEW appeal procedures noting that participants may appeal to the Commission if their UEW has been denied. In the particular appeal being reviewed by the Commission, the UEW was denied because the unforeseeable emergency event occurred more than one year prior to the date the request was received. The participant's request for funds via the UEW was related to damage done to the participant's home as a result of the 2016 flood. Mr. Mack stated that the flood was more than twelve months old but the time in which the participant recognized the damage was not which begs the question of what constitutes the event. The twelve month stipulation is an IRS rule followed by Empower Retirement. Ms. Hubbard asked if the Commission legally had the power to approve cases similar to these and it was stated that the Commission has the right to do so. Documentation submitted included estimates from companies contacted to complete the repairs that included a statement that the damage was progressively getting worse. Mr. Mack motioned to approve the appeal submitted by the participant to the Commission. Ms. Hubbard seconded the motion. The motion was unanimously approved.

Custom Stable Value

Economic Review & Outlook, 4Q19: Mr. Thornton presented an overview of the Economic Review and Outlook 4Q19 stating that it was a very good year in 2019 for equities and bonds. Globally, leading economic indicators are starting to improve. The GDP continues to show solid growth. Inflation continues to be subdued. Employment continues to be robust. Consumer confidence is very good. Possible risks to the outlook of domestic economy includes high government debt and presidential election year.

Portfolio Review as of December 31, 2020: Mr. Thornton noted that there were no big changes to the portfolio. There were some changes on margins thus reducing the amount of MBS exposure. No big change to duration moving from 2.8 to 2.7 years. Performance continues to be solid.

Credit Letter: The Lehman Brothers Unsecured Notes remains the only out-of-compliance security within the portfolio. There is no new news in relation to payouts on this bonds.

Securities Sold: There were not many securities sold in December which is typical for the month of December.

Wilshire Associates

Quarterly Investment Performance 4Q19: Mr. DiGirolamo invited Commission members to the Wilshire 38th Annual Client Conference in Marina de Rey, CA on April 5-April 7, 2020. Mr. DiGirolamo presented the 4Q19 Performance review noting that all major asset classes reflected positive returns in 2019 with US Equities up 31%. Economic growth has stabilized to 2% per quarter in the US with strong consumer sentiment. The threat of the coronavirus has had effect on the economy. Large cap stocks outperformed small cap stocks. Growth stocks outperformed value stocks. Information technology, health care and communication services had the highest performance with real estate and securities performing the least. Emerging markets outperformed for the quarter. China has experienced volatility in response to tariff issues and the coronavirus. The inversion of the treasury yield curve has gone away which is a strong indicator of the avoidance of recession in the United States. Mr. DiGirolamo met with MFS in January and was very impressed with the action being taken. More resources have been added to MFS including a new analyst joining the team and sending an analyst to China for a six month period.

Plan Review: Mr. DiGirolamo reviewed Wilshire's general philosophy in building defined contributions plans including matching the investment structure complexity with the expertise of participants through a tier system. The objective is to make it as efficient and straightforward for the participant maximizing transparency in addition to making it easy as possible for the Plan Sponsor and participant. The objective of the plan design is to create options within the three main asset classes of growth, inflation hedging and capital preservation. The tier structure consists of Tier 1-The Single Solution Option, Tier 2-The Core Funds Option and Tier 3-The Specialty BETA. The "Choice Overload Theory" has been confirmed in various studies noting that increased options lead to a lack of confidence, decision making paralysis and potentially decreased participation.

Currently, the Plan offers eleven fund options. In summary, Mr. DiGirolamo stated that Wilshire is very comfortable with the program currently in place and noted that there is no asset class missing. Income replacement-type funds are being developed for availability in the next few years.

Website: Documents to be added: Mr. Kling deferred the topic of documents being added to the website to the March, 2020 Commission Meeting.

Wells Fargo Custodian: Great West Trust Company: Mr. Kling reminded the Commission of discussions from the July and August Commission Meetings in determining the company that would assume Wells Fargo Custodian responsibilities. The Attorney General's office ruled in July that there were no legal impediments of changing to the Great West Trust Company. If this option is chosen, notification and a letter of agreement with Great West Trust would be needed. Ms. Sanders stated that this same issue is being addressed by LASERS and she sees no reason to separate the two. Ms. Sanders motioned to change from Wells Fargo Custodian (Principal) to Great West Trust Company and to authorize the Commission Chairman to execute the appropriate documents. Ms. Hubbard seconded the motion. The Commission unanimously approved the motion. The Great West Trust Company contract will go into effect within 60-90 days after the Chairman signs the contract. The contract includes a provision that if Empower Retirement is no longer the administrator (after an RFP process), the Plan can exit the Great West Trust Company contract, as well.

Other Business

Commission Election 2020: Participants wishing to submit petitions to run against Laney Sanders for the participant member position that expires July 1, 2020 is February 14, 2020.

Empower Retirement Contract: Mr. Kling stated that the current Empower Retirement contract expires in 2022. Typically, an RFP process can take up to 18 months to complete. The current contract allows for a three year extension to 2025 at the option of the Commission. Mr. Kling stated that there have been other providers asking about the status of the contract and it should be expected that other companies will pursue the Plan. Empower Retirement will be presenting an offer to the Commission as soon as possible. The last RFP was processed in 2010 and the current contract was initiated in 2012. If solicitation is decided upon, Mr. Kling stated that it will be necessary to hire someone to complete the solicitation. Wilshire is able to facilitate the process/gather the details but cannot make recommendations.

Tarcza Contract: Mr. Cassagne reviewed the Tarcza Contract and found no issues to be addressed. Mr. Kling asked that Mr. Cassagne send the contract to Mr. Tarcza for review/approval.

Reschedule of Meeting with Marilyn Collister: Mr. Kling rescheduled a meeting with Marilyn Collister designed to discuss changes to the Plan Document.

Adjournment

With there being no further items of business to come before the Commission, Chairman Kling declared the meeting adjourned at 11:43 a.m.

Laney Sanders, Secretary