

MINUTES
Louisiana Deferred Compensation Commission Meeting
February 15, 2022

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, February 15, 2022, in the office of the Plan Administrator, 9100 Bluebonnet Centre Blvd., Suite 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
Andrea Hubbard, Co-Designee of the Commissioner of Administration
Scott Jolly, Co-Designee of Commissioner of Financial Institution
Laney Sanders, Secretary, Participant Member

Members Not Present

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

Stephen DiGirolamo, CFA – Managing Director, Wilshire Associates-*via video conference*
Craig Cassagne, State of Louisiana Attorney General’s Office, Baton Rouge
Brett Robinson, State of Louisiana Attorney General’s Office, Baton Rouge
Marybeth Daubenspeck, Vice President, Government Markets, Empower, Denver-*via video conference*
Jennifer Bailey, Lead Strategist Participant Mktg Comm Gov, Denver-*via video conference*
John Mohan, Director Participant Engagement Gov, Denver-*via video conference*
Megan Lemire, Director, Product Development & Management, Denver-*via video conference*
Michela Palmer, Communications Strategist Participant Mktg Comm Gov, Denver-*via video conference*
Karen Scott, Sr Client Services Manager, Empower, Denver-*via video conference*
Shannon Dyse, Relationship Manager, Empower, Baton Rouge
Rich Massingill, Manager, Participant Engagement, Empower, Baton Rouge
Jo Ann Carrigan, Sr. Field Administrative Support, Empower, Baton Rouge

Call to Order

Mr. Kling called the meeting to order at 10:06 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 January 11, 2022

The minutes of the January 11, 2022 Commission Meeting were reviewed. Ms. Burton motioned for acceptance of the January 11, 2022 minutes. Ms. Hubbard seconded the motion. The Commission unanimously approved the motion.

Empower Personalized Experience Demo

Ms. Lemire and Mr. Mohan presented the new Empower Personalized Experience demonstration to the Commission. The new Empower Personalized Experience has been rolled out to 3,000,000 participants to date. Ms. Lemire explained that the new experience was developed to enhance ease of navigation in addition to making sure that Empower is providing a holistic financial wellness web experience that is highly personalized for the individual. Ms. Lemire shared the following percentages gleaned from market research:

- 80% of people want help managing all their different financial priorities.
- 53.5% of workers are more productive at work when they know that their finances are in better shape.
- 43% of higher retirement plan deferrals occur when workers are engaged in financial wellness programs.

Lifetime Income Replacement remains at the center of the web experience upon log-in but now, they will be able to receive a 360-degree view depending on what Empower knows about the participant.

Mr. Mohan walked through new features added to “My Total Retirement”, an advisory service that the Plan has made available to its participants. Before the participant enters the advisory service, an interactive interview will be presented which allows Empower to further customize the participant’s profile. The more information that Empower receives from the participant the more Empower will be able to personalize the participant’s strategy and portfolio. Before the participant agrees to the advisory service, a feature has been added which clearly lays out for them what their current allocation is along with the recommended allocations to move into. Previously, based on feedback received, participants didn’t realize that their portfolio would change the day that they enter the service. The fee schedule is also presented before the participant enters the advisory service. Once the participant enters the service, the participant will see how their funds are allocated and what funds are going to be allocated to. Further research showed that once a participant enters the advisory service, the next thing they wish to do is make a change to the deferral. The goal is, through intelligent design, to make deferral changes as frictionless as possible for participants wishing to take positive action.

Mr. Mohan reviewed Savings Planner which is available to all participants. Savings Planner not only instructs the participant on what they need to save to reach their goals, it also will show the participant what is the best way to save money from a tax treatment perspective and what accounts to fund. One of the top priorities would be the 457B Plan. The hardest part for participants is in execution. Empower has built into the program a sort of digital coach that will remind the participant when he/she is not on track with the goals set. Once people enter retirement, the Savings Planner is no longer a key component because they are no longer saving. The same type of logic in terms on the money meter applies for spend down during the decumulation phase of retirement.

The Retirement Planner is an enhancement from basic retirement planning to also incorporating life experiences such as the sale of property resulting in additional capital. Spending goals at retirement is also taken into consideration along with planning for family educational expenses.

The retirement date is no longer the finish line for retirement planning. Instead, retirement should be considered the half-time of retirement planning. People are living 15-30 years in retirement now so that demographics and longevity has shifted regarding the spenddown years. There must be a thoughtful strategy to make sure that participants are spending in the most tax-advantageous way so that they don't run out of money and to make sure that there is a thoughtful investment strategy that corresponds to the spenddown strategy. The Smart Withdrawal tool takes into consideration these issues as well as providing what the participant's estimated tax liability is going to be for the different decisions they make. The average individual is not mindful of the tax liability of the decisions they make around income production. Budgeted spending takes into consideration not just retirement spending goals but spending that needs to be considered for each year (e.g., home renovations). An icon is associated with each identified event such as a graduation cap denoting an education goal for that year. A hypothetical portfolio balance over time is also available to take into consideration estate planning and wealth transfer. Ms. Sanders asked for insight related to the assumed rate of return during the accumulation and spenddown phases. Mr. Mohan stated Empower partners with Morningstar, an independent financial expert, that feeds capital market assumptions each year. Morningstar provides forward-looking projections based off different asset classes, what the assumed growth rate or rate of return for each one of those given asset classes and the individual holdings in the participant's portfolio. Projections will be customized and tailored to allocations based off those capital market assumptions that are built in at the asset class level. Every time allocations change, projections change accordingly. Mr. Kling asked if state taxes are built into the tax assumptions. Mr. Mohan stated that individual profiles include the state of residence and includes any movement from one state to another. Mr. Kling asked where the disclaimers to the information provided could be found. Ms. Lemire pointed out that the disclaimers are available on the bottom right-hand side of the page related to projections. Ms. Lemire also shared that when the participant enters the aggregator to add additional accounts, there is language there in terms of accuracy of information. A full copy of the language can be provided to the Commission. Ms. Burton asked how inflation is factored into projections. Mr. Mohan stated that, like capital market assumptions, Empower relies on financial experts to update inflation projections. Retirement preparedness is adjusted for inflation. Mr. Dyse stated that the new Empower Personalized Experience is scheduled to go live in mid-May noting that the actual date will be announced to the Commission at that time. No action is required by the Commission. Mr. Kling asked that the disclaimer information be provided so that the Attorney General's office could review the verbiage.

Wilshire – 4Q21 Performance Report

Mr. DiGirolamo presented the 4Q21 Performance report. At year end, there was some stability in terms of the US Economy. Consumer confidence had begun to grow. Inflation was the headline, though, with CPI over 7% at the end of the year. Inflation is causing the volatility in the equity markets over the past couple of months. Most equity indices hit their all-time highs at the end of the year after some volatility within that quarter. In general, however, there was extremely strong performance out of equities for the year within the US Equity Market. Inflation pressure has been able to be passed on to end-users such as consumers, which has really helped to drive markets up.

Large CAP growth names outperformed other sectors within US Equities. Large CAP outperformed Small CAP for the quarter. Clear winners for the quarter were real estate, technology, and materials. There were positive returns out of International Equity Markets in Developed Markets. Emerging Markets were negative for the quarter. There was a large discrepancy between Developed and Emerging Markets for the year. There is a lot of volatility in terms of what is working and what is not, region by region and company by company. Europe is experiencing some of the same pressures as the US such as the inflation, the Omicron variant and supply chain issues. There continues to be concerns regarding China with a general slowing of its economy causing a lot of different issues. The bond market yield curve reflects the AG as flat for the quarter and negative for the year – down 150 basis points. The yield curve is still at the 1.5% mark at the end of the year. Long term bonds outperformed shorter term bonds for the quarter. Most fixed income securities had a negative performance for the year. Real Assets was one of the best performing sub-asset classes for the year. It was a strong year for commodities – up 27%. Real Estate performed strong for the quarter and year-to-date. Anything Real Asset driven has benefited from inflationary pressures for the year. Mr. DiGirolamo reviewed the heat map for 2021. US Equities Markets are down for the first quarter of 2022 by about 8%. International Markets are doing better, Developed Markets are down around 4% and Emerging Markets almost flat at this point in the year. Most bonds are in negative territory so far this year. There was a lot of volatility at the end of 2021, and this will continue in 2022 with geopolitical issues and the action that will be taken by the Federal Government in terms of raising rates.

Plan assets at the end of 2021 was about \$2.3 Billion. There were no major changes in terms of trends of where participants put their money. The biggest asset class in terms of allocation remains with the US Equity composite. Stable Value and Target Date allocations continue to grow, quarter-by-quarter and year-by-year. Absolute performance was strong across marketplaces and most active managers. MFS, the US Equity Manager, was up 8.5% for the quarter and 25.5% for the year with a lag versus the benchmark due to some specific stocks that were not held in the portfolio such as Tesla. There was a negative performance of the EuroPacific Growth Fund for the quarter but up about 2.8% for the year. There was a meaningful drag versus the benchmark for the quarter and the year. EuroPacific Growth has been overweight materials in emerging markets especially in China. They have also missed with some of their tech names. When looking at the long-term, however, there is strong performance out of this fund and there are no concerns related to how they are investing.

Core Bond Active Manager-Prudential had a negative performance for the year but was able to protect relative to its benchmark for the year. Stable Value, for the quarter had a 3.4% yield. The Market Value to Book Value remains above par at approximately 102% today. The credit rating just dropped to 2.15% with the expectation that it will increase in the intermediate future. Stable Value continues to offer a good yield as compared to money markets and other options.

Target Date Funds reflect positive performance across all funds and all time periods. All the funds have done very good in terms of protecting against market conditions over the long run. Black Rock announced changes within the fixed income allocation for the glidepath which Wilshire thinks is very positive for participants within the glidepath.

Mr. DiGirolamo summarized his presentation by stating that markets were positive for the year. The Plan did a good job of capturing returns and managing volatility in the marketplace. Volatility should be expected going forward but the Plan is positioned well and offers participants good options to build a solid plan upon.

Mr. Kling reminded the Commission that it has been four years since the lineup of funds has been reviewed. The product lineup has performed well but it is time to ask Wilshire to present an in-depth review of offerings. Ms. Burton stated that a Performance Review is required from Wilshire every two years.

Administrator's Report

Plan Update as of January 31, 2022: Mr. Dyse reviewed the Plan Update as of January 31, 2022. Assets as of January 31, 2022: \$2,199.83 Billion; Asset Change YTD: -\$86.90 Million; Contributions YTD: \$9.12 Million; Distributions YTD: \$11.10 Million. Net Investment Difference YTD: -\$84.92 Million.

UPA – January 2022: Mr. Dyse reviewed the UPA report for the month of January 2022. Additions included 4Q21 Participant Recoveries and interest for the month of January. Deductions included Wilshire Associates Inc and the State of LA Department of Justice. The closing balance as of January 31, 2022, was \$1,508,724.15.

UEW Report – January 2022: Mr. Dyse presented the UEW Report for the month of January 2022. Ten requests were submitted, and no requests were denied. Mr. Dyse asked the Commission if there was still value in presenting the UEW Report each month since the Empower home office now processes hardship requests. The Commission stated that the UEW report, in its current format, should continue to be included in the monthly reporting.

Case Reconciliation-4Q21: Mr. Dyse presented the 4Q21 Case Reconciliation Report noting the fees collected from participants totaled \$457,362.30. Fees paid to Empower totaled \$441,882.25 with a net difference of \$15,480.05. Stable Value management fees totaled \$326,462.89. My Total Retirement fees totaled \$519,484.61. Total Empower and My Total Retirement for 4Q21: \$1,287,829.75. Total calculated Stable Value revenue: \$292,810.47. Mr. Dyse confirmed that the figure totaled 18 Basis Points for the year.

Securities Sold-December 2021

Mr. Dyse reviewed the securities sold during the month of December 2021. Mr. Dyse stated that the "Gain/Loss" column does not show all pertinent components. If the report continues to be presented, additional columns must be added/expanded to include interest and/or the specific total number of securities sold. Ms. Hubbard asked that additional information/columns be added in future reports.

Renewal of Commission Emergency Rule

Mr. Cassagne reminded the Commission that they are operating under Emergency Rules of the Secure and Cares Acts which include, qualified Birth and Adoption Distributions, In-Service Distributions, Required Minimum Distributions, and loan repayment extensions. The Emergency

Rule is set to expire in February. At the end of 2024, the rules must be promulgated into permanent status. Ms. Sanders motioned to instruct Mr. Cassagne to re-adopt and re-post the Emergency Rules of the Secure and Cares Acts. Mr. Guerin seconded the motion. There was no discussion, and the motion was adopted.

Commission Election Update

Ms. Burton announced that a petition has been received from participant, Beverly Hodges, to be added to the election ballot. Prior to the February 15th Commission Meeting, a coin toss took place to establish the order in which the candidate names would appear on the ballot. Ms. Hodges' name will appear first on the ballot. The Commission Nominating Committee previously endorsed Mr. Kling for re-election. Mr. Kling's name will appear second on the ballot. Information/ballots will be mailed to members prior to April 30th. The deadline for receiving ballots is June 3, 2022.

Commission Auditor Update

Mr. Kling shared with the Commission that J. Aaron Cooper, Auditor, sold his CPA firm to Langley, Williams, and Company of Lake Charles. Mr. Cooper and his family will be moving to Jackson, MS. The LA Legislative Auditor's office will determine whether the Commission's auditing needs can be transferred to Langley, Williams, and Company.

Strategic Planning Presentation

Mr. Dyse stated that the presentation will be a truncated version in respect of the time remaining. Mr. Dyse will provide printed and bound copies of the 123-page report to Commission members at the next Commission meeting.

The participation rate of 22,351 includes anyone who made contributions to the Plan. This figure represents 29% of known eligible employees which is comparable to other State Plans in terms of the participation rate. There may be other eligible employees, but we are unaware of them at this time. Mr. Dyse stated that the percentage has grown a couple of ticks over last year but there remains a lot of room for growth within the Plan. Mr. Dyse also mentioned the possibility of auto-enrollment and requested the Commission's direction in whether this should be pursued. Mr. Dyse also acknowledged that auto-enrollment would require legislative action. Mr. Kling advised Mr. Dyse to provide the Commission with how Empower would be able to support auto-enrollment. Mr. Kling further suggested that retirement systems be approached first in relation to their position on this topic to determine if there is any opposition prior to bringing the topic to the legislature. Ms. Burton reminded the Committee that Ms. Stevens was able to include an Active Choice flier in each State employee's orientation package. The employee had to sign whether or not they wanted to be in the Plan. Ms. Burton recalled that there was a significant number of new enrollees as a result of the flier. Ms. Burton asked Mr. Dyse to look into this approach, as well.

Mr. Massingill presented participant engagement reports noting that equity exposure rose in 2021. Mr. Massingill presented graphs that identified various investment strategies being used by participants. The goal is to identify high risk participants so that Retirement Plan Advisors can meet with them to discuss their financial goals. A large percentage of participants fall into the DIY strategy, and many are identified as at risk within this strategy. A focus of our messaging is concentrating on whether the participant's investments are properly allocated to align with their goals. In 2022, there will also be an emphasis on running strategies with retirees or those nearing

retirement (participants over the age of 50). Within the Plan, there are 21,000 participants over the age of 50. 82% of assets in the Plan are made from participants over age 50. A key part of retiree outreach is looking at “active” versus “terminated” status. Terminated participants represent 37% of Plan assets. There are challenges in relation to the accuracy of “terminated” status. Some agencies do not provide terminated-from-service dates until the Baton Rouge office requests the information to be able to release funds to participants. RPA visits to employer sites do not include the retiree population. Our partnership with RESA is very important. RESA has recently notified us that they are not currently conducting in-person meetings. There is an even 50-50 split between equity risk and inflation risk within the over-50 population. Data indicates that \$930 Million in assets for the over age 50 population falls into at risk status. Mr. Massingill reviewed the types of meetings that RPAs engage in:

- Individual Meetings (more of a service-type meeting).
- Retirement Readiness Review (comprehensive review).

When an RPA can get into the comprehensive review, there is a 37% action rate such as enrolling in the Plan, increasing deferral amounts, enrolling in Managed Accounts. Those participants already in Managed Accounts receive what is referred to as a personalization of their accounts making sure the profile information on file is correct. Anytime someone books an appointment through our website, a survey is sent. The results of the survey provide a Net Promotor Score (NPS). The NPS for the Plan’s RPAs is 75 which is considered world class. Mr. Kling asked Mr. Massingill to provide the definition of “at risk” participants. Mr. Massingill stated that the “at risk” population is age 50 plus with 75% or more equity exposure. Then, inflation is age 50 plus with less than 10% equity or under age 50 with less than 25% equity. This is not to say that these participants must do anything different, but they need to have the conversation. The new Personalized Participant Engagement will help in looking at a participant’s account more holistically as accounts are aggregated.

Ms. Bailey presented enhancements to the Empower Communications Engine. Ms. Bailey is Lead Communication Strategist for the Plan. Ms. Palmer is the Communication Strategist for the Plan. Ms. Bailey reminded the Commission that previously, automated emails were used to cover a range of topics such as, welcoming someone to the Plan, beneficiary information, saving more, etc. The emails were designed to relay to participants personalized information throughout their life cycle. Louisiana opted to turn this service off due to some of the language in the My Total Retirement emails. The automated email program has been completely overhauled which now allows the Commission to pick and choose messages to be sent to participants. Messages can be turned off at the message level instead of turning off the entire program. We have found that personalizing messages works well for participants in that they are more likely to open and interact with the message. Ms. Bailey encouraged the Commission to turn the service back on. The messages are personalized based on participant data. Previously, messages were solely focused on email distribution. Now, communication includes emails, direct mail, and website messaging. Some of the message streams involves the Retirement Solution Group (RSG) which includes the ability to schedule meetings through the communication. Ms. Bailey will be providing samples of the messages included in the automatic communication program. Ms. Bailey shared that Empower is developing text messaging capabilities and app-pushed notifications. The participant must opt into receiving this type of communication. Participants are also welcomed to turn the communications off if they choose to do so. Participant response has led us to add more message topics such as financial wellness, investment help and managed account profile assistance.

Messaging is spread out throughout the year so that participants do not feel bombarded. Great care has been taken in preparing the cadence of the messages. Measurement of the communication is available and can be presented quarterly and/or annually at Commission Meetings. Ms. Bailey was prepared to share accomplishments of 2021 but, due to technical difficulties, this portion of the presentation was deferred to the next meeting. Ms. Bailey concluded by sharing that increasing enrollment was a major theme of 2021. In 2Q21, LASERS sent out an email on our behalf to get people enrolled in the Plan. Further, Commission Darden with the assistance of Ms. Hubbard, sent out an email. During that period, there were 906 new enrollments into the Plan which represented a 269% increase over the previous year during the same period. Ms. Bailey shared that she was very excited to present the accomplishments of 2021.

Adjournment

With there being no further items of business to come before the Commission, Chairman Kling declared the meeting adjourned at 11:56 a.m.

Laney Sanders, Secretary