

MINUTES-AMENDED

Louisiana Deferred Compensation Commission Meeting

March 19, 2019

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, March 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
Len Riviere, Co-Designee of Commissioner of Financial Institution
Laney Sanders, Secretary, 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

Stephen DiGirolamo, CFA – Managing Director, Wilshire Associates
Craig Morton, CFA – Vice President, Wilshire Associates
William Thornton, Senior Manager, Client Portfolio Services, AAG *via Conference Call*
Craig Cassagne, State of Louisiana Attorney General’s Office
Connie Stevens, State Director, Baton Rouge, Empower Retirement
Jo Ann Carrigan, Sr. Field Administrative Support, Baton Rouge, Empower Retirement

Call to Order

Chairman Kling called the meeting to order at 9:58 a.m. Roll call was taken by Jo Ann Carrigan.

Public Comments: There were no public comments.

Approval of Commission Meeting Minutes of February 26, 2019

The minutes of the February 26, 2019 Commission Meeting were reviewed. Ms. Burton motioned for the acceptance of the February 26, 2019 minutes. Ms. Sanders seconded the motion. Mr. Guerin asked that the minutes be amended to reflect his name as “Stewart” instead of “Steven” within the text of the typed minutes on page 2 or 5. The Commission unanimously approved the minutes as amended.

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Acceptance of the Hardship Committee Report of March 14, 2019

The Hardship Committee Report of March 14, 2019 was reviewed. Mr. Riviere motioned for acceptance of the Hardship Committee Report of March 14, 2019. Ms. Hubbard seconded the motion. The Commission unanimously approved the report.

Administrator's Report

Plan Update as of February 28, 2019: Ms. Stevens presented the Plan Update as of February 28, 2019. Assets as of February 28, 2019: \$1.718.54 Billion; Asset Change YTD: \$102.79 Million; Contributions YTD: \$16.16 Million; Distributions YTD: \$18.63 Million. Net Investment Difference YTD: \$105.26 Million.

UPA-February, 2019: Ms. Stevens reviewed the UPA for the month of February, 2019 reflecting an ending balance \$1,680,059.75. Additions included gains on contribution corrections and interest for February. Deductions included the 4Q18 Great-West Financial record-keeping fees.

Annual Banking Fees Review: Ms. Stevens reviewed JP Morgan Chase and US Bank fees for the period of March, 2018 through February, 2019.

Wilshire Evaluations

Participant Fee Review: Mr. DiGirolamo introduced Craig Morton, CFA, Vice President, Wilshire Associates. Mr. Morton worked extensively on the modeling presented at the March 19, 2019 Commission meeting related to the UPA and fee analysis. The current fee scale was launched in 2015. The fee schedule was designed to reduce participant level fees and at the same time gradually decrease asset levels in the UPA account. The UPA account decreased by approximately \$300,000 in the past year which was in line with expectations. Targeting a goal of \$1 Million as a UPA balance, raising fees will slow or reverse the decline of the balance from 2020 and moving forward. Communicating changes in fees to participants could start as early as April to be included on the website, statements, newsletter and possibly a letter mailed to participants. Fee changes made in the past elicited a very small number of participants expressing concerns. The text of the messages would include the fact that previously, fees have been reduced and even refunded (3 quarters worth) to participants. As a result of this action, the UPA has been running "short falls" requiring adjustments in the fee structure. Calculations were reviewed/discussed. Mr. Riviere motioned that effective January 1, 2020, fees increase to 20 basis points (from 18 basis points) which translates as follows: The balance for the minimum fee of \$10 would be \$5,000; The balance on the upper end would remain at \$50,000 but the maximum fee would increase to \$100. Ms. Sanders seconded the motion. The motion was unanimously approved. Mr. DiGirolamo stated that Wilshire will continue to monitor the fees going forward. Ms. Stevens thanked Mr. Morton for his contribution to the discussion.

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SDBA Fee Review: Mr. DiGirolamo reported that Wilshire was asked to review the Self Directed Brokerage account fees and how the fees compared to other record keepers and providers. The review included review of two different fee structures:

- Per transaction cost (used with TD Ameritrade through Empower Retirement)
- Per participant cost

Most of the record keepers that Mr. DiGirolamo works with use the “Per Transaction Cost” structure. There is no standard price scale used. Based on his review, Mr. DiGirolamo reported that the Self Directed Brokerage fees in place through Empower Retirement are in line with the industry average in respect to the size of the Plan and the number of participants participating in SDBA. Mr. DiGirolamo pointed out that there are no commission costs charged for mutual funds trading. Specialized investing incurs higher fees which is true of other broker dealers as well.

Investment Review: Mr. DiGirolamo presented the February, 2019 Flash Report noting that there was a nice bounce-back from 4Q18 so far in 2019. Most Active Managers have participated in the up-markets seen in the first two months 2019. Mr. DiGirolamo noted the following information related to markets as of February 28, 2019:

- US Equities: Up 14%
- International Equities: Up 10-11%
- Core Bonds: Up 2%

Mr. DiGirolamo apologized that the data included in the Commission binder related to performance of the Principal Diversified Real Assets incorrectly reflected 4Q18 returns instead of 2019 returns. The February figures should be:

For the month: 06.3%; Benchmark: 0.87%
YTD: Up 7.14%; Benchmark: 6.96%
One Year: 0.47%
Three Year: 6.28%
Five Year: 10 basis points

Life Path Funds performance is in line with the benchmarks and Mr. DiGirolamo stated that Wilshire is pleased with the glide-paths of the BlackRock LifePath index funds.

Custom Stable Value – Economic Review and Outlook; Portfolio Review

Mr. Thornton apologized for missing the February, 2019 Commission Meeting due to flight delays.

Volatility, on the fixed income and equity side has flattened as compared to 4Q18 where there was a run up in rate in the first half of the quarter. There are very few concerns from the domestic-side noting good GDP growth (2.6%). There is not a lot of inflation and employment continues to be

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very good. Internationally, growth has slowed as interest rates have not increased outside of the United States.

Portfolio Review, 4Q18: No huge allocation changes are anticipated. The three-year duration timeframe will remain in place. The second quarter interest rate will be 2.65%. The increase in interest rate is driven by the rise in rates and the small changes to the IPS made last summer.

Credit Letter: Mr. Thornton reviewed the Credit Letter with the Commission noting that the Lehman Brothers Unsecured Notes that was purchased in November of 2005, remains on the list. Ms. Stevens reminded Mr. Thornton to address all future credit letters to Mr. Whit Kling, newly elected Chairman of the Commission.

Securities Sold-December 2018 and January 2019: Securities sold in December, 2018 and January of 2019 were reviewed.

Mr. Thornton announced that the State of Louisiana is the oldest custom Stable Value client with an inception date on the fund of June 13, 1994. Commission members were invited to celebrate the Silver Anniversary of the Stable Value Fund at a luncheon to be held on Tuesday, April 23rd. Mr. Thornton expressed his appreciation to the Commission for being such a valued, long-term client.

The April 23, 2019 Commission Meeting will include several guests from Empower Retirement's home office as the annual Strategic Planning review will be presented. Guests will include, Bill Thornton, MaryBeth Daubenspeck, Karen Scott and Jennifer Bailey (communications specialist).

Other Business

Audit Sub-Committee: Mr. Kling reported that the Audit Sub-Committee sent a letter to the appointed auditor asking that he formalize his audit plan, his strategy, information requirements, timeframe/deadlines, potential risks, any anticipated changes from last year, the projected output and what the auditor's reliance on outside auditors will be. In response to the letter, the auditor met with the sub-committee on March 19, 2019 and presented a packet of material that addressed the issues noted in the letter. The auditor anticipates finishing his audit review by the end of May and will provide a draft of the report at least two weeks prior to the submission to the LA Legislative Auditor so that any issues may be addressed. The auditor has already requested reports from Great West and indicated that there would be no issue related to loans this year. Field work will begin after April 15th as the auditor is involved in tax season. Mr. Kling is working on the draft of the duties and responsibilities of the Audit Sub-Committee and will present it to the Commission within the next two months.

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Site Visit to Wilshire – Pittsburgh, PA: Mr. Kling asked Mr. DiGirolamo and Ms. Stevens to review schedules and come up with a timeframe in which Commission members could participate in a site visit.

Ethic Report: Mr. Kling reminded Commission members that Ethic Reports are due by May 1, 2019. There is a \$1,500 fine if the deadline is not met. The forms are available on the Ethics Board's website.

April, 2019 Commission Meeting: Ms. Stevens reminded the Commission that the April meeting is scheduled for April 23, 2019 (one week later than normal) due to the Easter holiday.

Len Riviere's Retirement Date: Ms. Stevens thanked Mr. Riviere for serving on the Commission for two terms. Mr. Riviere is retiring from State service on Friday, March 29th. No replacement has been named to replace Mr. Riviere on the Commission at this time.

Adjournment

With there being no further items of business to come before the Commission, Chairman Kling declared the meeting adjourned at 11:19 a.m.

Laney Sanders, Secretary