

**MINUTES**  
**Louisiana Deferred Compensation Commission Meeting**  
**May 16, 2023**

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, May 16, 2023, in the office of the Service Provider, 9100 Bluebonnet Centre Blvd, #203, Baton Rouge, LA, 70809 at 10:00 a.m.

**Members Present**

Virginia Burton, Chair, Participant Member  
Doug Buras, Co-Designee of Commissioner of Financial Institutions  
Andrea Hubbard, Vice Chair, Co-Designee of the Commissioner of Administration  
Beverly Hodges, Participant Member  
Julius Roberson, Designee of the LA State Treasurer  
Laney Sanders, Secretary, Participant Member

**Members Not Present**

Stewart Guerin, Designee of the Commissioner of Insurance  
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**

David Saunders II, Client Relationship Manager, Capital Group  
Emily Liao, Equity Investment Director, Capital Group  
Stephen DiGirolamo, CFA – Managing Director, Wilshire Associates  
Craig Cassagne, State of Louisiana Attorney General’s Office, Baton Rouge  
Brett Robinson, State of Louisiana Attorney General’s Office, Baton Rouge  
Karen Monaghan, Sr Client Services Manager, Empower, Denver-*via video conference*  
Shannon Dyse, Relationship Manager, Empower, Baton Rouge  
Rich Massingill, Manager, Participant Engagement, Empower, Baton Rouge  
Will Parrie, RPA (Retirement Plan Advisor), New Orleans-*via video conference*  
Jo Ann Carrigan, Sr. Field Administrative Support, Empower, Baton Rouge

**Call to Order**

Ms. Burton called the meeting to order at 10:00 a.m. Ms. Carrigan called roll of Commission members.

**Public Comments**

Ms. Burton said the meeting is accessible to the public and invited anyone who joined the meeting to participate in the call. There were no public comments.

**American Funds EuroPacific Growth Fund**

Mr. Saunders thanked the Commission for their trust and commitment to The Capital Group and for the allocation to the EuroPacific Growth Fund. The Capital Group has \$2.3 trillion in assets under management with \$1.28 trillion allocated to equity allocation. The Capital Group is a privately held organization with multiple portfolio manager teams. There are 479 Capital Group investment professionals worldwide. They have a long-term approach driven by global fundamental research. Ms. Liao reviewed how Capital Group approaches the international opportunity-set within the EuroPacific Growth Fund, investment strategy and how that strategy is positioned today considering the current market environment. Capital Group looks for the best opportunities for long-term capital growth in markets outside of the United States. The portfolio is divided into different segments assigned to individual portfolio managers who manage their slice of the portfolio independently. Managers and analysts are compensated based on individual results, with a heavier emphasis on longer-term periods. Ms. Liao reported that the international markets have been strong over the last six months due in part to optimism in the European market and a “hawkish” European

Central Bank which has helped to bring inflation down. Further, there has been enthusiasm for China re-opening. Today, the portfolio offers more breadth and diversification in terms of growth opportunities in a changed environment. Ms. Liao and Mr. Saunders thanked the Commission for the time given them at the meeting.

### **Q1 2023 Performance Review – Wilshire**

Mr. DiGirolamo presented the Q12023 performance review noting that GDP growth and employment rates have been consistent for the beginning of the year. Inflation is starting to tick down, and the US equity market is moving in the right direction after a strong end of 2022. Large cap stocks outperformed small cap stocks and growth stocks significantly outperformed value stocks in Q12023. The International Equity Market was up 7%, which is in line with the US Equity Market. Developed markets outperformed emerging markets for the quarter and for the one-year period. The US Fixed Income reflected all positive indices for the quarter after a challenging 2022. The yield curve remains flat and inverted. Most major asset class performances were positive in Q12023 led by developed markets in the international space and followed by US equities. At the bottom of the asset performance list is commodities, down by 5.4%. The expectation is for continued volatility in the markets but moving in a positive direction. Mr. DiGirolamo reviewed asset allocation by asset class and asset allocation performance. The transition was made from the Prudential Total Return Bond to the Prudential Total Fund separate account during the quarter. The assets were transitioned to the Prudential Total Fund separate account run by the same manager with the same strategy to get a lower fee structure. In general, Mr. DiGirolamo stated that performance has been strong and there is nice absolute performance across asset classes. Active managers are doing well versus their benchmarks and added value. There are no concerns noting that the lineup is good for participants. Mr. Buras asked Mr. DiGirolamo to give an overview of an ESG (Environmental, Social, and Governance) portfolio. Mr. DiGirolamo stated that ESG is very wide and far-reaching because of the three dynamics: environmental, social and governance, making it difficult to compare ESG funds with non-ESG funds. ESG is a small part of most funds and strategies. Wilshire has few clients that have implemented a stand-alone ESG fund, and there has been little interest in it. Ms. Burton asked that the Plan lineup be reviewed at the December retreat, to include a history of how the current lineup was established and to bring any recommendations Wilshire may have for the Plan. Mr. DiGirolamo offered to bring this information to the September meeting if the December meeting agenda is too crowded.

### **Wilshire Recommendation-American Funds EuroPacific Growth Separate Account Vehicle**

Mr. DiGirolamo recommended to the Commission a new American Funds EuroPacific Growth Separate Account vehicle option which would provide a fee savings as compared to the current mutual fund offering in the Plan. This option is like the change made with the Prudential Core Fixed Income strategy previously approved by the Commission. The philosophy and strategy of the separate account remains the same as the fund currently being offered with the only difference being the fee structure. Currently, the fee is 46 basis points. The separate account fee structure is 41 basis points which will result in an average of \$57,000 in savings for participants per year. Ms. Hodges motioned that the current American Funds EuroPacific Growth mutual fund be replaced by the American Funds EuroPacific Growth Separate Account Vehicle. Ms. Sanders seconded the motion. There was no further discussion and the motion passed unanimously.

### **Approval of Commission Meeting May 16, 2023**

The minutes of the May 16, 2023, Commission Meeting were reviewed. Ms. Burton asked for a correction to the minutes to include her name as a Commission Audit Committee member. Ms. Sanders motioned to accept the minutes with the correction noted. Ms. Hodges seconded the motion. The Commission unanimously approved the motion.

### **Investment Policy Statement**

Mr. DiGirolamo presented the revised Investment Policy Statement (IPS). Mr. Roberson updated this version of the IPS to include the revisions noted during the April 2023 Commission meeting. Mr. Roberson reported that one of his colleagues suggested that the Commission consider a name change from “Unallocated Account” to something less vague. The fund was previously named the “Commission Activity Fund” and was changed because the funds are not actually Commission funds to be used for Commission activity. Ms. Sanders suggested the possibility of

renaming the fund to the “Plan Operations Fund.” Revisions can be made to the IPS at any time going forward. Ms. Burton suggested that the IPS will stay more current if topics included were more generic in nature. Ms. Hodges volunteered to review the changes made along with the format of the document to be presented at the June 13<sup>th</sup> meeting. Mr. Buras asked for clarification of Section 3, #5 “Definition of the role of the Commission” 105 A.1. Mr. Dyse explained that this item referenced a section in the Plan Document.

Mr. Buras also pointed out the following changes needed:

Section 5, #2: A period must be added to the end of the sentence.

Section 5, #3: A second period must be removed from the end of the sentence.

Appendix 5, “Investment Constraints”, G and H types of investments name change to “approved investments”. Mr. DiGirolamo explained that these references reflect the current agreement of the Stable Value Fund. Changes in terminology can be discussed with William Thornton. Mr. DiGirolamo said another consideration would be removing the Stable Value guidelines from the IPS, as it is not necessary to be included.

Appendix Section 5 Investment Constraints: Outline letter structure needs revision.

Appendix Section 5C: Derivative Guidelines: Reference to “Great West” should be changed to “Empower”.

Appendix 5: Derivative Guidelines: Ms. Sanders suggested that final sentence in this section be deleted: “This policy will be reviewed at least annually and may be amended as necessary.”

Ms. Burton asked that Mr. DiGirolamo and Ms. Hodges review the document for any necessary changes. The IPS will be placed on an upcoming Commission agenda.

### **Service Provider’s Report**

**Plan Update as of April 30, 2023:** Mr. Dyse reviewed the Plan Update as of April 30, 2023. Assets as of April 30, 2023: \$2.073 Billion; Asset Change YTD: \$91.08 Million representing a 4.6% increase over last year. Contributions YTD: \$36.25 Million; Distributions YTD: \$49.81 Million. Net Investment Difference YTD: \$104.64 Million. Mr. Dyse provided YTD distribution-type details as requested by Ms. Hodges during the March 2023 Commission Meeting. Full withdrawals by participants who have separated from State service represented the largest number of distributions processed. The second largest distribution type was the age 59.5 In Service withdrawal type.

**UPA (Unallocated Plan Account) – April 2023:** Mr. Dyse presented the April 2023 UPA report. The UPA balance at the end of April was \$1,844,015.38. Additions included participant recoveries and interest. Deductions included Wilshire Associates and Tarcza & Associates.

**UEW (Unforeseen Emergency Withdrawal) Report – April 2023:** Mr. Dyse presented the UEW Report for the month of April 2023. There were 14 requests submitted and all 14 were approved. With Secure 2.0, there is an optional provision whereby participants can self-certify. Empower is awaiting guidance from regulators on self-certification and will bring this topic to the Commission for approval once additional information is available. Mr. Dyse received a “Frequently Asked Questions” document as it relates to Secure 2.0 and forwarded it to Mr. Cassagne for review. This document will be reviewed with the Commission at the June meeting. Many of the components in Secure 2.0 are optional.

Ms. Burton asked that the Commission calendar be included at the back of the Commission binder each month, being sure to add the items as they are presented.

**Q1 2023 – Quarterly Fee Reconciliation:** Mr. Dyse reviewed the Q12023 Quarterly Fee Reconciliation noting that the fees remain consistent with previous quarters. Contractual fees are \$33 per participant annually (\$8.25 per quarter). Total Stable Value revenue was also reviewed.

### **Plan Document Revisions**

Mr. Cassagne stated that he spoke with Mr. Tarcza’s team last week and reported that the Plan Document is being thoroughly reviewed. No completion time was given, but a memo will be sent to the Commission noting all

recommended changes before final revision. Mr. Dyse reviewed on a high-level basis the responsibilities of a Plan Administrator including orchestrating the Commission meetings and the December retreat. Two years ago, a process was implemented that requires members of deconverting agencies to complete an election form approving the transfer of their funds to the new provider. Mr. Dyse stated that he would like this requirement added to the Plan Document.

Ms. Burton asked if the Empower website could be updated to include a Commission member-only site for easy reference and for a repository of information/documents. Mr. Dyse knows that the current website cannot support this feature, but he is aware of other vendors that offer a board/commission website. Mr. Dyse will be meeting with a client currently using a boards/commission vendor site for more information related to how the website would work and what the cost would be. Mr. Dyse stated that this is a particularly good idea and worth pursuing.

### **Election Update**

Ms. Carrigan reported that all ballots have been mailed. Ballots must be received by Friday, June 2, 2023. The ballot count will occur on Friday, June 9, 2023. Ten calls have been received in the Baton Rouge office related to the election. Six of the calls pertained to requests for replacement ballot envelopes not included in the election envelope received. All requests for replacement materials are mailed from the Baton Rouge office from the supply provided by Empower's home office. The vendor responsible for assembling and mailing the election envelope has been contacted regarding the envelopes mailed without the ballot envelope to determine the reason/scope of the error. There was discussion related to the possibility of including a postage paid ballot envelope or offering an electronic election process. The goal is to encourage participants to vote. It was suggested that candidates be afforded more than the existing 35-word description field that appears on the ballot. Mr. Cassagne reported that the existing Plan Document limits the field to 35 words. A change in the number of words allowed will require a revision to the Plan Document.

Mr. Dyse reviewed the costs of the 2022 and 2023 election processing with the Commission. The cost of the 2023 components was \$8,439.96. Postage costs have not yet been received but the approximate cost is \$13,000. The 2022 election cost totaled \$22,147.78 (components and postage). These totals do not include the CPA firm hired to count the ballots. Mr. Buras motioned to approve payment of the 2023 election costs based on the projected costs (to be revised once the actual postage invoice is received). Mr. Roberson seconded the motion. There were no objections and the motion carried. Mr. Buras motioned that the 2022 election cost of \$22,147.78 be approved for payment. Mr. Roberson seconded the motion. Hearing was no objection and the motion carried. Ms. Burton asked that election process options be included on the December agenda.

### **Other Business**

Mr. Dyse reminded the Commission that the NAGDCA (National Association of Government Defined Contribution Administrators) 2023 Annual Conference will be held in Seattle, Washington, October 8-11, 2023. Conference registration is now open. Ms. Sanders motioned that Commission members be approved to attend the NAGDCA 2023 Annual Conference. Mr. Roberson seconded the motion. There was no discussion and the motion passed. There is a virtual attendance option available.

### **Adjournment**

With there being no further items of business to come before the Commission, Chair Burton declared the meeting adjourned at 11:45 a.m.

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Laney Sanders, Secretary