

MINUTES
Louisiana Deferred Compensation Commission Meeting
October 20, 2020

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, October 20, 2020 via video conference at 10:00 a.m.

Members Present *via video conference*

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
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 *via video conference*

Stephen DiGirolamo, CFA, Managing Director | Wilshire Consulting, Pittsburgh
Marybeth Daubenspeck, Vice President, Government Markets, Empower Retirement, Denver
Craig Cassagne, State of Louisiana Attorney General's Office, Baton Rouge
Shannon Dyse, Relationship Manger, Empower Retirement, Baton Rouge
Rich Massingill, Manager, Participant Engagement, Empower Retirement, Baton Rouge
Jo Ann Carrigan, Sr. Field Administrative Support, Empower Retirement, Baton Rouge

Call to Order

Mr. Kling called the meeting to order at 10:05 a.m. Ms. Carrigan called roll of Commission members who were attending the video conference.

Public Comments

Mr. Kling stated that the meeting is accessible to the public and invited anyone who had joined the video conference to participate in the call. There were no public comments.

Wilshire Acquisition

Mr. DiGirolamo shared that Wilshire Associates has been acquired by a group of private equity firms most notably, CC Capital & Motive Partners. Mr. DiGirolamo provided background information leading up to the acquisition. Mr. Dennis Tito founded Wilshire Associates in 1970. Wilshire has always been 100% employee owned. Mr. Tito is now 80 years old and is the majority shareholder. CC Capital & Motive Partners made an attractive offer that all parties are comfortable with. CC Capital & Motive Partners looks for long-term partners like Wilshire where they can use their expertise in technology on the investment side to help grow top-line growth which is the goal. Wilshire's name will not change. There are no staffing changes in relation to the representatives the Commission works with. Once the deal goes through, Dennis Tito will retire. Wilshire's current president, John Hindman will be retiring, as well. Current Wilshire executives are working

to name a CEO going forward. In general, it is an exciting time and addresses the question as to the path to be followed going forward. Mr. DiGirolamo stated that there are no major changes in service level with this acquisition. As the new group begins taking over, there may be changes in reporting and in the White Papers that are published. Wilshire is hopeful to have the deal closed by the end of the year. Mr. Kling stated in order for the transaction to move forward, there is a requirement that a number of parties give consent. Empower Retirement is one of those parties. Mr. Cassagne stated that the letter received presents no problem and there are no contract changes required for the Plan. Mr. Jolly noted that the two new entities are CC Capital Investment Management, LLC and Motive Capital Management, LLC and efforts are underway to notify in New York. Mr. Jolly asked Mr. DiGirolamo if the new entities are planning on notifying in Louisiana. Mr. DiGirolamo stated that he would look into this and report back. Ms. Burton motioned that Mr. Kling sign the one page “Consent to Assignment” on behalf of the Commission and once signed, a copy of the signed document be sent to Commission members. Ms. Sanders seconded the motion. The motion passed with no objections.

Plan Performance 3Q20

Mr. DiGirolamo reviewed the Investment Performance Report as of September 30, 2020 noting that economic data is steadily improving. The unemployment rate had dropped down to 15% during the depths of the issues earlier in the year but this has improved to 8% at this time. Hiring has increased in the US causing numbers to move in the right direction. There has been a bounce back in the Real GDP since 2Q20 which is primarily the result of consumer and business spending. The ten-year break-even inflation rate is about 1.6% which is below the Fed’s long-term target of 2% but it is gradually moving upward. In the US Equity market, broad markets are up 9% for the quarter which is the second consecutive quarter for dramatic gains. Large Cap stocks outperformed Small Cap stocks for the quarter by about 5.5%. Growth “style” outperformed Value “style” for the quarter by almost 9% and by approximately 26% year-to-date. Energy performance continues to be poor – down almost 20% for the quarter. Consumer Discretionary is the real winner for the quarter which includes anything related to home builders. Information technology continues to drive market returns pushing growth style higher than value style. Mr. DiGirolamo pointed out that travel and restaurant fall into the Consumer Discretionary sector. Large restaurant chains are bouncing back and showing improvement for the quarter. Cruise lines and some airlines have not come back yet. Non-US Equities reflects positive performance in both developed and emerging markets. Emerging markets outperformed developed markets for the quarter due in part to individual country growth (i.e. China, Japan and Germany). China makes up more than 40% of the emerging market index which is driving performance for that overall asset class. Fixed income had some modest gains but the yield curve continues to be historically low with not much change between the second and third quarters. Lower rates are expected for the next couple of years under current policy. Mr. DiGirolamo stated that volatility is expected across the various asset classes through 2021. It has been surprising how adaptive the market has been but “dips and dives” should be expected based on headline news such as the upcoming election, the virus and additional day-to-day challenges. The total Plan market value is up for the second quarter. MFS Core Equity fund, the actively managed US Equity, had a strong absolute performance for the quarter but slightly lagged behind their benchmark based on allocation changes. This fund has done well over a long period of time and is well positioned for the future. American Funds Euro-Pacific Growth Fund continues to have strong performance from an absolute and relative basis for the quarter. Stable Value is performing as expected at 66 basis points for the quarter. All of the plan’s Target

Date funds had positive absolute performance and were in line with their benchmarks. Life Path Index 2065 Fund L has been added to the platform for youngest participants. It has been a good quarter for active managers to readjust during the downturn in March and to add value to benchmarks.

Approval of Commission Meeting Minutes of August 18, 2020

The minutes of the August 18, 2020 Commission Meeting were reviewed. Ms. Hubbard noted changes necessary to the minutes related to the Empower Retirement proposal. The typed minutes listed the proposed price as \$44 to be dropped to \$37 for the five-year consideration and \$44 to \$31 for the ten-year consideration. Mr. Dyse stated that the numbers are only incorrect in the minutes as what was reported during the August 18th meeting was correct noting \$47 to \$33 per person for the five year contract the \$47 to \$31 per person for the ten-year contract. The correction has been made to the minutes. Ms. Hubbard motioned for acceptance of the August 18, 2020 minutes as amended. Mr. Guerin seconded the motion. The Commission unanimously approved the minutes of August 18, 2020 subject to amendments noted.

Administrator's Report

Plan Update as of August and September, 2020: Mr. Dyse presented Plan Updates as of August 31, 2020 and September 30, 2020. Assets as of August 31, 2020: \$1,972.90 Billion; Asset Change YTD: \$96.56 Million; Contributions YTD: \$70.17 Million; Distributions YTD: \$80.25 Million. Net Investment Difference YTD: \$106.64 Million. Assets as of September 30, 2020: \$1,933.58 Billion; Asset Change YTD: \$57.24 Million; Contributions YTD: \$78.88 Million; Distributions YTD: \$94.04 Million. Net Investment Difference YTD: \$72.40 Million.

UPA – August and September, 2020: Mr. Dyse reviewed the UPA report for the month of August, 2020. Additions included gains on contribution corrections and interest for August. Deductions included, State of LA Department of Justice, the Louisiana Legislative Auditor and Great-West Financial quarterly fees. The closing balance as of August 31, 2020 was \$1,244,071.91. Mr. Dyse reviewed the UPA report for the month of September, 2020. Additions included gains on contribution corrections and interest for September. Deductions included Tarca and Associates Attorneys. The closing balance as of September 30, 2020 was \$1,246,602.47.

UEW Report – August and September 2020: Mr. Dyse presented the UEW Reports for the months of August and September, 2020. August: Nine requests submitted. Eight requests approved and one request denied. September: Three requests submitted and three requests approved.

Securities Sold-July and August, 2020

Mr. Dyse reviewed the securities sold during the months of July and August, 2020.

Deminimus Payouts – November 2020

Mr. Dyse reported that per the Plan Document, the involuntary Deminimus (terminated and active members) are to be paid out on an annual basis. Terminated participants with account balances of less than \$1000 are to be paid out. Participants are given a 30-day notice of the payout so that they

may make decisions on how to distribute the funds. Active accounts with balances under \$1000 and no contributions made in two or more years, are paid out to participants after a 30-day notice. Notices were mailed on October 16, 2020. Total number of accounts: 625. Terminated accounts: 120 totaling approximately \$42,000. Active accounts: 505 totaling approximately \$170,000. Total amount: Approximately \$212,000. Deminimus payouts is an annual event; however, no Deminimus payouts were not processed in 2019 so the numbers included in the 2020 report include two years of participants.

Iberville Parish Council and Plan Joinder Agreement & Term Clause to Plan Document

Mr. Dyse reported that the Iberville Parish Council submitted a written request to leave the Plan. The firm that is taking over the account is AXA which is the same company that other sheriff offices in the state have moved to including the Iberville Parish Sheriff's Office. On Mr. Kling's request, Mr. Dyse asked Empower Retirement sales representatives to provide some insight as to the details related to what AXA is offering. While specific information is not available, it appears that AXA and other vendors offer products in addition to retirement. The AXA proposal probably includes other offerings such as insurance. Mr. Dyse spoke with Mr. Dunn, Chief Financial Officer of the Iberville Parish Council to determine the motivation behind the decision made by the agency. Mr. Dunn shared that the decision was made in part due to Empower Retirement operational issues reported by the Council's payroll representative. These issues were being/had been addressed by Ms. Carrigan and Karen Scott, Client Service Manager. The request to leave the Plan came as a shock to the local and corporate offices. The reasons cited on the request form included client services and operational issues. A second conversation was held between Mr. Dunn and Mr. Dyse where Mr. Dunn's parting comment was that AXA would be more present and would act more in an advisory capacity. The assets have not been paid out pending the Commission's directive. Mr. Kling stated that it was his opinion that the Iberville Parish Council is the first non-sheriff agency to request to leave the Plan. It was Mr. Kling's understanding that with the exception of DA's and Sheriffs, who have statutory authority to establish their own 457 plans, the other political subdivisions do not. Mr. Cassagne reported that he reviewed the statute and does not see anything expressly stating that political subdivisions can or cannot have their own 457 plan. Mr. Cassagne researched parishes within the state and found that there are some parishes who are currently administering their own 457 plan. From a state law perspective, Mr. Cassagne found nothing in the statute that would prohibit a political subdivision from administering their own 457 plan. Mr. Cassagne stated that Mr. Tarcza should be contacted if the issue is related to a federal statute. Mr. Kling asked the Commission if there should be a course of action to discourage political subdivisions from leaving or should they be left to do what they want to do. Mr. Kling noted that in most other plans, an application is filed to join the plan (joinder agreement) that also includes rules related to leaving the plan. Ms. Burton stated that the agency should be required to submit a resolution from the parish council announcing their departure instead of just a letter from one individual like the one forwarded from Mr. Dunn. Mr. Kling stated that if the Iberville Parish Council provides a resolution confirming the request, Empower Retirement may release the funds. Mr. Kling asked if the Commission wanted to engage Mr. Tarcza for insight into the matter of whether or not the Commission has the ability to control a political subdivision leaving the plan and whether this is the only Plan that the entity can belong to. Ms. Burton motioned to: 1. Contact Mr. Tarcza regarding whether or not this is or is not the only plan that a political subdivision can belong to; 2. Review the submitted deconversion transfer document to determine if it is adequate or inadequate for leaving the plan; 3. To request that Mr. Dunn provide the Commission with a

resolution from the Council indicating that the Iberville Parish Council has approval to make the request. Mr. Jolly seconded the motion. There was no objection and the motion passed unanimously.

Plan Auditor (Contract filed and GASB 97)

Mr. Kling asked that this agenda item be reviewed ahead of agenda item 11, RMD Full Service. Mr. Kling forwarded copies of GASB 97 to Commission members for review. GASB 97 is subject to Mr. Cooper's interpretation as to whether the Plan is or is not a retirement system. The last conversation that Mr. Kling had with Mr. Cooper was that he wanted to have a discussion with the Office of Statewide Reporting and the auditor's office to determine what their position will be in terms of reporting at the State level. At the current time, it is unclear if there will be any changes required. Implementation is required no later than 2022. Ms. Hubbard reviewed the GASB 97 document and stated that the 3121 employees (a small population of employees) who are using the Plan as their retirement system and those employers who do contribute an employer share (match) should be reviewed carefully in relation to GASB 97. Mr. Kling affirmed that the State Auditor's Dept. controls the reporting required in that they have the ability to issue an opinion on state-wide financials and that they actually control the issuance of the contract and whether or not the contract has been adequately fulfilled.

CARES Act and Secure Act Extension of Previous Emergency Rules Adopted

Mr. Kling reminded members that the Commission adopted emergency rules to implement the CARES Act and Secure Act earlier in the year. The emergency rules implementation is expiring. In order for the CARES Act and Secure Act to continue in accordance with the Plan, the Commission must approve an extension of the previous adopted rules. Mr. Cassagne stated that the extension will go through the end of 2020. Ms. Sanders motioned to approve the adoption of an extension of the previously adopted rules for the CARES Act and Secure Act through December 31, 2020. Ms. Burton seconded the motion. There was no objection and the motion passed.

Empower Retirement – RMD Full Service

Mr. Dyse stated that current RMD processes are handled by the local office (Ms. Carrigan) and Karen Scott, Client Services Account Manager in Denver. Lists are run, payouts are determined and mailings are managed by the local office. The Plan has the opportunity to move this operational component away from the local office to an Empower Retirement RMD team whose only job is to execute RMD's. The team has limited band width but can allow for the State of LA's Deferred Comp to be a part of their full service. There is no additional cost for the service and this should be seen as an improvement in Plan optimization. The adoption of this service requires a simple amendment to the Plan Document. Mr. Kling forwarded the wording of the amendment to Mr. Cassagne for review stating that it is a minor procedural change that would move RMD processing from the local office to the central office of Empower Retirement. Ms. Burton motioned to make the change in RMD processing to the home office from the local office. Mr. Jolly approved the motion. There was no objection to the motion and the motion passed.

Contract Extension

Mr. Kling reviewed terms of the three-year contract extension noting the reduction in the participant fees to \$33 and an increase in basis points from 18 to 25. The calculation of savings total \$450,000. The three-year extension is as far as can be extended under the existing contract.

Ms. Burton motioned to approve the contract extension with the noted provisions. Ms. Sanders seconded the motion. There was no objection and the motion passed. Mr. Kling stated that he would distribute copies to Commission members within a day or two.

Commission Election 2021

The rules require that a Nominating Committee be in place by January and that the 4th quarter newsletter provide information to the participants as to how they may submit applications for running for a seat on the Commission. The Nominating Committee must be made up of non-Commission members. Mr. Kling stated that he would welcome suggestions from the members on who should serve on the Nominating Committee. Ms. Burton suggested that Mr. Emery Bares and/or members of the Hardship Committee should be contacted to serve on the Nominating Committee. Mr. Kling will reach out to each person recommended by the Commission. The quarterly newsletter has already been drafted. A sequence of events related to election procedures was included in the Commission material.

December Retreat

Mr. Kling stated that he sent a notice to the Commission that the December retreat had been cancelled. There will be a regular meeting of the Commission in December. The retreat will be held at a later time in 2021.

Other Business

Mr. Dyse stated that at Mr. Kling's request, a specific quarterly report that had been provided in the past will be brought back for review in future meetings. Mr. Dyse asked that if there are any additional reports or information that the Commission would like included in the meetings, to please let him know. Mr. Jolly asked for a report detailing the money taken out by participants under the CARES and Secure Act. Mr. Dyse stated that he would send the report to the Commission after the meeting and would include the report in future meetings.

Adjournment

With there being no further items of business to come before the Commission, Chairman Kling declared the meeting adjourned at 11:21 a.m.

Laney Sanders, Secretary