

MINUTES
Louisiana Deferred Compensation Commission Meeting

April 23, 2019

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, April 23, 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
J. Douglas Buras, Co-Designee of Commissioner of Financial Institution

Members Not Present

Kevin Pearson, Designee of the Speaker of the LA House of Representatives
Laney Sanders, Secretary, Participant Member
Margaret Corley, Designee of Senator Barrow Peacock, Designee of John Alario Jr., Louisiana Senate

Others Present

Marybeth Daubenspeck, Vice President, Government Markets, Empower Retirement
Jennifer Bailey, Lead Strategist Participant Communication – Government Markets
Karen Scott, Senior Client Service Manager- Government Markets
William Thornton, Senior Manager, Client Portfolio Services, AAG
John Morris, 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.

Public Comments: There were no public comments.

Approval of Commission Meeting Minutes of March 19, 2019

The minutes of the March 19, 2019 Commission Meeting were reviewed. Ms. Burton motioned for the acceptance of the March 19, 2019 minutes. Ms. Hubbard seconded the motion. The Commission unanimously approved the minutes.

Acceptance of the Hardship Committee Report of April 4, 2019

The Hardship Committee Report of April 4, 2019 was reviewed. Ms. Hubbard motioned for acceptance of the Hardship Committee Report of April 4, 2019. Ms. Burton seconded the motion. The Commission unanimously approved the report.

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Administrator's Report

Ms. Stevens introduced members of Empower Retirement who were in attendance from the Denver, Colorado home office to Commission members.

Plan Update as of February 28, 2019: Ms. Stevens presented the Plan Update as of March 31, 2019. Assets as of March 31, 2019: \$1.736 Billion; Asset Change YTD: \$121.02 Million; Contributions YTD: \$25.67 Million; Distributions YTD: \$29.32 Million. Net Investment Difference YTD: \$124.67 Million.

UPA-March, 2019: Ms. Stevens reviewed the UPA for the month of March, 2019 reflecting an ending balance \$1,676,364.08. Additions included interest for March. Deductions included NAGDCA Commission membership fee, Wells Fargo Bank (one time custodian fee) and the State of LA Department of Justice fourth quarter fee.

Loan Default Review: Ms. Stevens presented issues related to participant loans that have defaulted. In July of 2014, it became a requirement that all loan remittance payments be handled through participant paychecks instead of payments submitted by participants using a payment coupon book. Payroll representatives from political subdivisions are notified of loan remittances by Empower Retirement through a weekly loan file feed. Procedures are in place and in general, loans are paid off so long as the payroll representative retrieves the loan report. In the event loan payments are not processed, it is the participant's responsibility to contact his/her payroll to initiate payments. Two participants have contacted the Baton Rouge office of the LA Deferred Comp Plan requesting that their loan "default" be reversed and that their remittance schedules be reamortized as they feel that their loans defaulted through no fault of their own. (Mr. Kling has also had telephone conversations with one of the participants requesting consideration.) The Plan Document states that once a loan defaults, the participant may not take advantage of the loan feature again in the future. Ms. Daubenspeck noted that this is a very common practice among Plans. Ms. Stevens stated that loan issues appear to be related to a lack of understanding by payroll representatives on how to retrieve loan reports. Ms. Stevens noted that there is turnover in payroll department personnel which may also contribute to loan remittance errors. Empower Retirement is not able to track whether or not a loan file has been opened by a payroll representative. As a result, Mr. Kling suggested that these particular scenarios be reviewed by the Commission and that all future requests of this nature be addressed on a case-by-case basis. Ms. Stevens noted that loan processing by political subdivisions is complicated and there is a great deal of manual processing required. Ms. Burton suggested that late loan and default notification letters be mailed to participants via the USPS instead of via email due to the severity of the issue. Currently, loan notifications are sent quarterly via email. Ms. Stevens indicated that procedures would be revised so that participants receive a hard copy late loan notification and that payroll departments be contacted when loan payments are late. Ms. Burton motioned that the two loan issues brought

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before the Commission be reamortized, have the defaults reversed and restart loan remittance payments. Mr. Mack seconded the motion. The Commission unanimously approved the motion.

Enhanced Plan Services: Ms. Stevens introduced Enhanced Plan Services (EPS) offered by Empower Retirement related to specialized processing of Domestic Relation Orders (DROs), Death Claims and Unforeseeable Emergency Withdrawals (UEWs) or Hardships. Currently, the local office is already providing attorneys with a “model document” when DRO’s are being processed. Death Benefit Claims are generally a clean process when beneficiary names are posted to files. Currently, 90% of participants have beneficiaries on record electronically. When there is no beneficiary, the local office reaches out to the Plan’s Attorney General representatives for direction. The Hardship Committee currently meets once a month to review requests. The Committee follows IRS guidelines when determining eligibility. The Hardship Committee reviews on average ten requests per month. Meeting once a month often proves to be inadequate in relation to the urgency of hardship requests. Ms. Stevens noted that by moving UEW review/processing to Empower Retirement’s EPS, hardship requests can be processed within three business days. Ms. Stevens also pointed out that using EPS would shift the liability to Empower Retirement from the Plan and the Plan’s Hardship Committee. Ms. Stevens noted that she has “watched” EPS procedures over many years and is confident that the services are better than they ever have been. Ms. Stevens proposed that going forward, the Plan utilize Empower Retirement’s EPS in processing DRO’s, Death Claims and UEWs. The Hardship Committee would not be abolished so that they could be called on to review appeals of decisions made by EPS when necessary. The Plan Document, Section 105, specifies that an emergency (hardship) committee of at least three individuals be appointed to serve but further states in Section 111 that the Commission may delegate any or all of its powers and duties to another person, persons or entity. Ms. Stevens confirmed that there are no additional costs to the Plan associated with the use of EPS and that many Plans are already taking advantage of the services offered. Ms. Stevens pointed out that DROs already cost \$500 to process and payment of this fee is usually the responsibility of the two participants. The service agreement would need to be amended to adopt EPS through Empower Retirement for the processing of DROs, Death Claims and UEWs. Currently, the Commission receives a monthly report requiring approval. Ms. Stevens stated that she would review whether or not a report would be presented to the Commission each month and what would be included in the report. Mr. Morris reviewed the administrative code and noted that the delegation provision within the Plan Document covers the action proposed. Mr. Kling suggested that the Commission move forward with Ms. Stevens’ proposal and requested that Empower Retirement provide a draft of the language to use for the contract amendment.

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2019 Strategic Partnership Plan

Ms. Stevens presented the Strategic Partnership Plan for the next twelve month period to the Commission. Ms. Stevens reviewed 2018 accomplishments. Ms. Stevens stated that investment diversification continues to be an area of emphasis for the Plan and this is primarily accomplished through Target Date Funds and Managed Accounts. Ms. Daubenspeck reviewed Plan governance trends within the industry which included fiduciary responsibilities and security of accounts. Trained personnel and finances are being devoted to programming designed to secure participant accounts such as “Step-up Authentication” via the website. Financial wellness and student debt are hot topics at this time with Empower Retirement offering a new suite of financial wellness services that addresses “cradle to grave”—start-to-finish topics. Ms. Stevens noted that financial wellness seminars are ongoing throughout the state with the emphasis on getting finances in order. The seminars are proving to be very popular. Ms. Daubenspeck reviewed the 2019 product roadmap noting emphasis on the development of innovative solutions related to client protection, financial wellness, data visualization and Lifetime Income Scores. Ms. Daubenspeck noted that generally, a large number of participants continue to roll their money out of the Plan upon retirement. Retirement Solutions Group can assist in educating participants related to asset consolidation and managing “outside” asset retention. Plans utilizing Retirement Solution Group services note a significant increase in participants staying in the Plan. It is to the participants’ advantage to stay in the Plan based on the services/guidance offered and the negotiated lower fees. There is no cost to the participant if the Commission chooses to begin using the services of the Retirement Solutions Group. If accepted, routing of distribution calls are directed to the Retirement Solutions Group where opportunities/options are reviewed with the participant. Ms. Daubenspeck stated that many participants are under the mistaken impression that once they leave State service, they must move their money out of the Plan. Ms. Daubenspeck reviewed the factors that increase participant Lifetime Income Scores with the greatest factor being a higher deferral rate (10% or more). Ms. Stevens reviewed Plan design and administrative features, including auto-enrollment. Mr. Morris stated that the LA Deferred Compensation sets up participation in the Plan as a contractual relationship – an agreement between the participant and the Commission. The law would have to be changed to make participation in the Plan a condition of employment. Mr. Morris stated that he would look into wording related to how to incorporate “auto enrollment” with an opt-out provision within the law. Ms. Daubenspeck reviewed changes being made to integrate DB and DC figures which would more accurately convey participant Life-Time Income scores. Ms. Stevens noted the following 2019 action items: Streamlined processing, retention, new participant fee structure, focus on enrollments and diversification – offering a Managed Account free trial 1Q20.

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Communications Plan 2Q2019-1Q2020

Ms. Bailey reviewed 2018 highlights which included:

- E-delivery campaign
- Enrollment emails sent three times to LSU eligible resulting in a 13% increase in enrollments at LSU
- Managed Accounts promotional campaign
- A roll-in campaign resulting in a 39% increase in roll in money from the same period last year
- A fee structure email sent to LSU eligibles resulting in a 37% open rate with 12% clicking upon a link in the email
- Email Capture Campaign (mailed correspondence)

Ms. Bailey reviewed overall website usage noting that on average, 36% of participants use the website.

The 2019-2020 engagement calendar includes:

- Stay in the Plan campaign
- Meet your representative
- Fee change focus
- Lifetime Income Score/Managed Account Promo period campaign
- Ongoing enrollment emails to LSU eligible

Ms. Burton asked for clarification on what is actually mailed to participants. Ms. Stevens stated that participants with email addresses on file receive an email advising that their statement is ready and the population with no email address on file receives mailed/paper statement that does not include the newsletter. The newsletter is only available online. (Ms. Bailey stated that she would check to confirm whether or not the newsletter is mailed to any participants.) Approximately 1/3 of participants do not have email addresses on file or have chosen to opt-out of e-delivery of statements. Ms. Burton was under the impression that there would be an annual mailing to all participants that would include the newsletter, Commission election information and a reminder that each participant has an account. Ms. Stevens stated that she would review Commission minutes to confirm what action was approved related to mail-outs to participants. Ms. Bailey stated that the online newsletter is promoted on the website with pre-login messages. Only 667 people opened the newsletter 2Q18 which represents 1.8% of the population. Ms. Bailey noted that this is common across all Plans. People rely more on the computer (Google) than on the newsletter for information these days. Mr. Kling stated that once it is determined what is being mailed to participants, the viability of the newsletter can then be reviewed. Ms. Bailey noted it might be more feasible to publish a bi-annual e-newsletter – delivered in July and January of each

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year. The newsletter would be short, easy to read and trackable. Ms. Bailey stated that the best results are related to emailed correspondence that makes it easy for people to take action.

Ms. Bailey introduced rebranding images to consider going forward as the same brand has been used for a few years and seems dated. A bank of illustrations would be developed to include all of the Louisiana-specific images that could be pulled from in developing documents/emails. Images included a pelican and fleur-de-lis. The consensus of the Commission was that the fleur-de-lis with pictures would be most effective.

Custom Stable Value and Great-West Investment Overview

Mr. Thornton explained that Great-West Investments as an entity which was started two years ago where all investment products and services are housed under one roof—including Managed Accounts. Recently, Jack Brown and the investment team was moved to Great-West Investments resulting in investments and the Stable Value product being housed together under one entity. Last month, Mr. Brown was named Chief Investment Officer for all of North America-Great-West and Great-West Life and Annuity. Mr. Thornton stated that Mr. Brown has done an excellent job in expanding the investment team. The Stable Value Fund continues to do well. Mr. Brown is moving duration out slightly as the fear of rates increasing rapidly has diminished. The crediting rates are coming up a bit and is currently at 2.65%. Stable Value Funds are only available in Deferred Comp Plans which may serve as another selling point for retention.

Other Business

Site Visit to Wilshire – Pittsburgh, PA: Mr. Kling asked for a status of the proposed Site Visit to Wilshire in 2019. Ms. Stevens indicated she would research and notify members of any particulars that may be available at this time.

Adjournment

With there being no further items of business to come before the Commission, Chairman Kling declared the meeting adjourned at 12:00 p.m.

Laney Sanders, Secretary