MINUTES-AMENDED

Louisiana Deferred Compensation Commission Meeting

August 15, 2017

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, August 15, 2017 in the offices of the Plan Administrator, 9100 Bluebonnet Centre Blvd., Suite 203, Baton Rouge, Louisiana, 70809.

Members Present
Emery Bares, Chairman, Designee of the Commissioner of Insurance
Virginia Burton, Secretary, Participant Member
Thomas Enright, Designee of the State Treasurer
Andrea Hubbard, Co-Designee of the Commissioner of Administrator
Whit Kling, Vice-Chairman, Participant Member
Len Riviere, Co-Designee of Commissioner of Financial Institution
Laney Sanders, Participant Member

Others Present
Emily Andrews, State of Louisiana Attorney General's Office
Craig Cassagne, State of Louisiana Attorney General's Office
Danette Rausch, Assistant Vice President, Partner Strategy, Empower Retirement *via telephone*
William Thornton, Senior Manager, Client Portfolio Services, Great-West Financial *via telephone*
Connie Stevens, State Director, Baton Rouge, Empower Retirement
Susan Allsup, Field Administrative Support

Call to Order
Chairman Bares called the meeting to order at 10:00 a.m.
Roll call was taken by Susan Allsup.

Approval of Commission Meeting Minutes of July 18, 2017
The minutes of July 18, 2017 were reviewed. Ms. Burton motioned for the acceptance of the minutes. Mr. Enright seconded the motion. The Commission unanimously approved the minutes.

Acceptance of the Hardship Committee Report of August 10, 2017
The Hardship Committee Report of August 10, 2017 was reviewed. Mr. Kling motioned for acceptance of the Hardship Committee Report of August 10, 2017. Mr. Riviere seconded the motion. The Commission unanimously approved the report.

Public Comments: There were no public comments.

Discussion: Request for AG Opinion Regarding the Definitions of Political Subdivision

Mr. Enright stated that it is incumbent upon the Commission to have an answer to the question of whether or not the Commission is a political subdivision. Mr. Enright stated that his position is that the Commission should ask for an Attorney General's opinion to determine the answer to this question. Ms. Andrews responded by explaining the process of a "board" securing an AG's opinion but stated that it would not be appropriate for Ms. Andrews to issue an opinion as the Commission has secured the services of Mr. Bob Tarcza who has already made the argument and the Commission has adopted Mr. Tarcza's position. Ms. Andrews stated that the Commission can request an Attorney General's opinion but it must be made pursuant to a resolution and it must be passed by the majority of the Commission. Mr. Kling stated that he did not know why the Commission would ask for an opinion for two reasons:

- No one is contesting/challenging the issue at this time.
- Mr. Tarcza is the Commission's contracted legal representative and the Commission supported Mr. Tarcza's opinion. Why would the Commission ask the AG's Office to determine whether Mr. Tarcza's position was correct? This would make it appear that the Commission is not trusting its legal counsel.

Mr. Enright stated that this issue is new and that if the Commission is defined as an agency, it should be determined how it relates to Title 36, Treasury. Mr. Kling stated that Title 36 deals with organization not necessarily classification. Ms. Andrews stated that if an opinion is requested, the Attorney General's office will look to see whether or not the Commission is a political subdivision. It may be more appropriate to address this issue when a specific question arises. Ms. Burton stated that the Commission would not want to go contrary to what our paid expert, Mr. Tarcza, provided unless there was a compelling reason (complaint or lawsuit) to do so. Ms. Andrews stated that it would take 2-3 months for the AG's office to render an opinion at this time. AG opinions can be expedited (10 days) based on the urgency of the issue. Mr. Enright stated that he would not make a motion at this time to seek an AG Opinion and thanked Chairman Bares for the opportunity to discuss the issue. Mr. Bares stated that the issue would be discussed at a later time, if necessary.

Re-Consideration of e-Delivery of Participant Statements

Timeline of Events: There was discussion during the July 18, 2017 Commission Meeting related to proposed contract amendments on whether statements or notifications would be mailed to participants. Ms. Stevens reported that the typed minutes of February, 2017 (in addition to a review of the audio tapes) reflected that notifications would be mailed – not statements. Mr. Kling suggested that a direct-mail campaign be made to participants who have no email addresses on file alerting them to the change in statement delivery. Ms. Stevens accepted the suggestion and stated that she would look into the cost of mailing the correspondence.

Ms. Burton commented that it was her understanding that the notification to be mailed would be the statement itself. Ms. Burton had expressed several concerns regarding electronic delivery of statements including surviving family members dealing with settlement of an estate, senior citizens reluctant to use the internet and that e-Delivery has not been well communicated over several quarters. Ms. Burton suggested an account overview be sent instead of a statement or the use of a phone app. Ms. Stevens confirmed that the Plan has an app.

Ms. Kling clarified that there are currently approximately 38,000 participants in the Plan. There are approximately 25,000 emails on record with 7,000 participants already voluntarily receiving e-Delivery of statements. Mr. Kling confirmed that in 2018 there will be two hard-copy mailings per year that will include information related to statements only being delivered electronically unless a request for hard copies of statements is submitted.

Ms. Stevens responded to Ms. Burton's suggestion to physically mail a scaled-down version of the statement that includes only the account balance stating that this option would continue to be a security risk. Ms. Burton stated that the benefit of mailing an overview would be that the participant would have the information on file. Further, Ms. Burton suggested that once a year a Keynote newsletter be mailed with instructions on how to receive a paper statement.

Ms. Rausch responded to Ms. Burton's comments by stating that individuals who have voluntarily chosen to receive e-Delivery of statements receive quarterly emails notifying them that a statement is ready and they must take action to go to the website to access the statement. This email does not include a link to the site as it is designed simply to notify the participant that a statement is ready for review. In the fall of every year, every participant will be notified that statements are sent electronically unless the participant opts to receive paper copies. This correspondence will include instructions on how to select paper copies of statements if participants wish to do so. Similar messaging can be included in the ballot mailing (April). Those who do not have email addresses on file or if an email returns as undeliverable, will receive a letter notifying them of the statement availability in the spring with the ballot mailing and in the fall with the announcement that statements are being sent electronically.

e-Delivery Cancellation Process: Ms. Rausch walked through the steps to follow for opting to receive paper copies of statements via the website under "Communication Preference" and "Communication Election" pages. Participants wishing to opt out of e-Delivery but not wishing to use the website to do so, may call the Empower Retirement Call Center to instruct the Call Center representative to make the change to the participant file. The opt-out procedures will include a "contact us" number for easy access. The next ballot mailing would be in April, 2018 which coincides with the transition to e-Delivery. Mr. Riviere suggested a separate mailing be sent to the approximate 31,000 participants in January to make sure they are aware of the transition to e-Delivery.

Ms. Burton asked that the implementation of e-Delivery be pushed back to the first quarter of the next fiscal year (3rd quarter of 2018) so there is time to make participants aware. The September and December Statement Narratives will include the announcement and including the separate mailing, participants will have received three notifications before the April transition. Mr. Riviere suggested that a notification be drafted for the Commission to review and approve. Ms. Stevens suggested that an informal subcommittee be formed to assist in crafting the announcement. Ms. Andrews advised Ms. Stevens that a subcommittee be named so that it does not appear that there is a rolling quorum. Ms. Burton, Ms. Sanders and Mr. Riviere were selected to serve on the subcommittee.

Contract Amendments

Terminology of the contracts must be changed to remove the term "mailed" or to include "mailed and/or electronic delivery" of statements. The cost savings of the per head fee was extended to the Plan by Empower Retirement even though it was not an early adopter of e-delivery. Ms. Stevens also pointed out that Empower Retirement is assuming the cost of two mailings per year (ballots and annual notification). Currently, there are four mailings per year but this will be reduced to two mailings per year. Ms. Stevens pointed out that the Plan will be paying less costs to Empower Retirement which passes on indirectly to the participant. Mr. Kling explained that the impact of the discount would be that the Commission's UPA Fund would be reduced thus allowing the Commission to either continue with the existing fee structure for a longer period of time or offering participants a rebate which has been done in the past.

Ms. Burton asked that there be a change to the wording related to the statement on page one of the "Contract Amendments" to read: Statement formats and information may change at the discretion of the Commission (instead of at the discretion of Great-West). Ms. Andrews stated that it is not proper to vote on making additional changes to the contract at this meeting. It is possible, however, to attempt to negotiate with Empower Retirement for contract amendments.

The contract amendments will be reviewed again once the subcommittee has had an opportunity to gather additional information. Mr. Bares named Mr. Kling, Mr. Enright and Ms. Burton to serve on the contract amendment subcommittee. Mr. Kling asked to see the actual verbiage of the contract amendments prior to voting on whether or not to accept the amendments.

Administrator's Report

Plan Update-August, 2017: Ms. Stevens presented the Plan Update as of July 31, 2017. Assets as of July 31, 2017: $1,618.94 Billion; Asset Change YTD: $108.20 Million; Contributions YTD: $55.91 Million; Distributions YTD: $60.48 Million. Net Investment Difference YTD: $112.77 Million.

Plan Review as of June 30, 2017: Ms. Stevens presented the Plan Review as of June 30, 2017. Assets at June 30, 2017: $1,597.43 Billion with asset change of $121.55 Million. The Plan continues to grow primarily as a result of investment gains. There are 36,673 participants (measured by the number of statements sent to participants). The average account balance is: $43,558.75. Stable Value owns 41% of the assets in the Plan paying a rate of 2.3% over the past two quarters. YTD Performance Returns reflect tremendous growth on the equities side of the market. Contribution history reflects $94.87 Million – status quo. The average annual participant contribution is trending higher. Contributions by Investment Option: Of every dollar coming into the Plan, almost 33% goes into Stable Value. Benefit Payment Distributions: Full withdrawal DeMinimus: 90 vs. 188 from previous year. DeMinimus clean-up for this year will occur in the fourth quarter of this year. Partial withdrawals: Prior year: 67; Past 12 months: 151 and 235 flood-related totaling 386. Outstanding loan balances: $21.66 Million in loans which represents 1.4% of total Plan assets which is low in comparison to other Plans due in part to the fact that the Commission allows only one loan out at a time. The number of participants with a loan increased slightly with an average loan balance is $6,118.

UPA-July 2017: Ms. Stevens reviewed the UPA for the month of July, 2017. Cash balance on hand as of June 30, 2017: $2,296,568.53. Ending balance as of July 31, 2017: $2,641,870.03. Deductions included: Wilshire Associates Inc. and Tarcza & Associates LLC (last invoice received). Ms. Andrews spoke with Mr. Tarcza this morning requesting that he research a matter so an additional invoice will be coming. Additions included gains on contribution corrections, participant recoveries 2Q17 and interest for July, 2017.

2Q17 Case Reconciliation: Ms. Stevens reviewed the 2Q17 Fee Reconciliation: Fees deducted from participant accounts: $363,917.11 ($2.50 flat rate to anyone with a balance less than $5,500; $22.50 to anyone with balances above $50,000 because it maxes out at $50,000 and the quarterly asset fees includes any participants with a balance of between the $5,500 and the $50,000 range). No mutual fund fees were received. The Plan Account is now in a deficit situation by design since total revenue collected from participants fees are now less than expenses. For now, the $2.6 Million balance in the UPA is holding its own but at some point; the Plan Account will need to be analyzed with expenses and participant fees.

<u>**Custom Stable Value Review**</u>
Economic Revie 2Q17: Mr. Thornton reviewed the Economic Review and Outlook for 2Q17.

Quarterly Review 2Q17: Mr. Thornton reviewed the Stable Value Fixed Income Fund as of June 30, 2017. There were no large changes to the interest rate (2.3%) but the duration was shortened slightly.

Exception Letter: There were no changes to the securities being held: Lehman Brothers Unsecured Notes and Becton Dickinson & Co. Senior Notes.

Securities Sold: Mr. Thornton reviewed the securities sold in June, 2017.

Election of Officers: Ms. Stevens distributed Commission "Election of Officers" ballots to the Commission members. The results of the election: Mr. Bares – Chair; Mr. Kling Vice - Chair, Ms. Burton – Secretary.

Naming of Committees

The Evaluation Committee: Mr. Bares appointed Ms. Burton, Ms. Hubbard and Ms. Sanders to the Evaluation Committee.
Hardship Committee: No changes necessary. Currently serving: Ben Huxen, Kent La Place and Reta McFarland with Lindsey Hunter as the alternate.
Nominating Committee: To be selected in January, 2018.

Other Business

Ms. Burton and Ms. Stevens will be attending the NAGDCA Conference in Milwaukee, WI, September 24-27, 2017.

There will be no Commission Meeting held during the month of September.

Ms. Stevens noted that The Louisiana Municipal Association Newsletter included a very nice article by the Treasurer's office regarding the Plan. Mr. Enright indicated that the Treasurer, the Attorney General and several other officials have a standing spot in LMA's monthly newsletter. Treasurer Henson submitted an article regarding the LA Deferred Compensation Plan encouraging participation as a way to supplement retirement.

Adjournment

With there being no further items of business to come before the Commission, Chairman Bares declared the meeting adjourned at 12:14 p.m.

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Virginia Burton, Secretary