

**MINUTES**  
**Louisiana Deferred Compensation Commission Meeting**

**May 21, 2019**

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, May 21, 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  
Laney Sanders, Secretary, Participant Member  
Doug Buras, Co-Designee of Commissioner of Financial Institution

**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**

Jennifer Bailey, Lead Strategist Participant Communication – Government Markets *via Conference Call*  
William Thornton, Senior Manager, Client Portfolio Services, AAG *via Conference Call*  
Craig Cassagne, State of Louisiana Attorney General’s Office  
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 10:00 a.m. Ms. Carrigan called roll of members in attendance.

**Public Comments:** There were no public comments.

**Approval of Commission Meeting Minutes of April 23, 2019**

The minutes of the April 23, 2019 Commission Meeting were reviewed. Ms. Burton motioned for the acceptance of the April 23, 2019 minutes. Ms. Sanders seconded the motion. The Commission unanimously approved the minutes.

**Acceptance of the Hardship Committee Report of May 9, 2019**

The Hardship Committee Report of May 9, 2019 was reviewed. Mr. Buras motioned for acceptance of the Hardship Committee Report of May 9, 2019. Mr. Guerin seconded the motion. The Commission unanimously approved the report.

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**Administrator's Report**

**Plan Update as of April 30, 2019:** Ms. Stevens presented the Plan Update as of April 30, 2019. Assets as of April 30, 2019: \$1.772.44 Billion; Asset Change YTD: \$156.69 Million; Contributions YTD: \$35.02 Million; Distributions YTD: \$39.41 Million. Net Investment Difference YTD: \$161.08 Million. Ms. Stevens reported that the Tangipahoa Sheriff's Office has submitted a de-conversion request.

**Loan Default Review:** Ms. Stevens reported that the two participants who had requested and received permission to have their loan default removed from their accounts and re-amortized, were extremely grateful for the action taken by the Commission. The default was removed from the participant accounts and the schedules were re-amortized. Revised 1099's were re-issued.

**UPA & Fee Reconciliation Reports:** Ms. Stevens reviewed the UPA for the month of April, 2019 reflecting an ending balance \$2,036,081.10. Additions included interest for April, corrections and participant recoveries. Deductions included payment to Wilshire for their services. Ms. Stevens reviewed the Quarterly Fee Reconciliation Report with the Commission.

**Enhanced Plan Services Update:** Ms. Stevens reported that a request has been submitted to Empower's Contracts Department to amend the contract to state that Empower's "Enhanced Plan Services" will be taking over the processing of Death Benefit Claims, UEW's (Hardship requests) and Domestic Relations Orders (DROs), as agreed upon by the Commission in the April, 2019 meeting. Once the contract has been amended, the Commission and Plan legal counsel will review and sign the revised document, if approved, at the June 2019 meeting. Ms. Stevens is hopeful that this change in procedure will begin as early as July 1, 2019. Hardship requests will be processed as they are submitted instead of once-a-month which is the current timeframe involved in Hardship approvals/distributions.

**Wells Fargo Custodian:** Ms. Stevens stated that Wells Fargo, custodian for the Plan, has entered into an agreement to be acquired by Principal Financial sometime in the third quarter of 2019. There has been no update on this issue since it was first introduced and additional details are not available. Wells Fargo sends quarterly statements to the Plan that are extremely summarized. Ms. Stevens has submitted a request for an FAQ related to the role that Wells Fargo plays. From an Empower point of view, there is an agreement that allows for operational build out with Wells Fargo regarding access to the Plan assets and processing. Ms. Stevens presented a summary email that she sent to Mr. Kling and a copy of the contract signed in 2002 for the Commission's review. Mr. Kling stated that he compared the contract to the statements and concluded that statements provided by Wells Fargo are not in line with the contract stipulation.

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Wells Fargo's official role is to hold Plan assets in trust for federal tax purposes and activity should be delineated in the statements. The statements do not include information related to activity and Mr. Kling stated that he had "no idea" of what Wells Fargo is doing for the Plan or the role that they play. The last statement received from Wells Fargo is from September, 2018 and it shows no activity whatsoever in the \$1.7 Billion plan. Mr. Kling will draft a request to Wells Fargo asking for additional information. Mr. Morris stated that, under terms of the contract, the Commission is entitled to receive detailed reports from Wells Fargo. Termination provisions are covered in paragraph seven of the agreement noting a 30 day written notice (by either party) and Wells Fargo would be required to continue to service the Plan for 90 days after the termination notice is submitted. Ms. Stevens noted that Great West Trust Company can be appointed as a successor custodian. In addition to Ms. Stevens' request for a FAQ from Empower, Mr. Kling will ask Wells Fargo to provide additional information or to provide us with the opportunity to determine where the information is available. Further, Mr. Aaron Cooper, CPA, will be asked to provide any information that he may have. Wilshire will also be contacted about this issue. Ms. Stevens also asked Mr. Thornton to research the role of Wells Fargo as the custodian on behalf of the Commission but stated that this issue should not have any effect on the Stable Value Fund as it is a component of the Plan and not the Plan itself. Mr. Guerin stated that in the "world of insurance", the contract does not include minimum requirements that deal with non-insurance companies. Mr. Guerin will provide an example of custodial requirements within contracts for the Commission's review. Wells Fargo is paid \$3,000 per year from the UPA for custodial services.

**Plan Review:** Ms. Stevens reviewed key points of the Plan Review for the period of April 1, 2018 through March 31, 2019. Assets as of March 31, 2019: \$1,735.52 Billion; Contributions: \$99.09 Million and Distributions: \$114.39 Million. The first quarter Stable Value rate was 2.60%. Investment Performance as of 3/31/2019 reflects strong returns. The Callan Periodic Table of Investment Returns shows significant movement in the market which supports why participants need assistance in asset allocation (Target Date Funds or Managed Accounts). Mr. Kling asked Ms. Stevens to research where the insurance distributions appear on the "Asset Distribution by Fund" report. Ms. Stevens stated that not all insurance holdings have been closed and that there are very few of these types of accounts left in the Plan. Approximately 10% of the participant population have active loans. Empower no longer charges \$6.25 per quarter for "Advice Service" which requires the participant to implement the recommended changes.

**Custom Stable Value**

**Economic Review and Outlook, 1Q19:** Mr. Thornton reviewed the Economic Review and Outlook report with the Commission noting that it has been a very good year on the stock-side and fixed income-side which reflects a big difference between the first quarter of 2019 and the last quarter of 2018. It has been a fairly quiet quarter in fixed income noting a “breather” to the volatility experienced in 2018. There have not been large changes in spreads and rates. Growth rates from around the world are starting to slow down but nothing drastic. Slowing growth typically holds rates low. The GDP estimate is at 3.2% which is a little higher than what most economists were expecting predominantly due to government spending and a build-up in inventories. Recession is not anticipated this year even though there are inverted yield curves. At the end of June, 2019, it will be the longest expansion in US history. The unemployment rate is at 3.6% which is the lowest rate since 1969. Typically, a low employment rate and decent numbers on GDP translates into inflation but inflation remains around 2% consistently.

**Custom Stable Value Report, 1Q19:** Mr. Thornton reported that there were no significant changes in the Stable Value. Duration increased slightly from 3 to 3.1 years. The current rate is 2.65% and small increases are expected throughout the year.

**Credit Letter:** The Lehman Brothers Unsecured Notes, purchased in November 2005 remains the only holding that is being held beyond the specified guidelines in anticipation of any future distributions. There were no derivative securities used within the stable value portfolio. The market-to-book at the end of 2018 was 98.4% and was 99.8% as of the end of March, 2019.

**Securities Sold:** The Commission reviewed the list of securities sold in February and March, 2019.

**Communications**

**Administrative Fee Change:** A draft of the second quarter “statement narrative” outlining the upcoming fee changes was presented by Ms. Bailey. Using a State of Texas Plan fee change narrative as a comparison when fees changed, Ms. Bailey noted that the narrative will be sent to Empower’s Compliance Department for review and to determine if there are any disclosure requirements. Mr. Kling stated that the change in fees is a complex issue in that historically, the fees were set at an artificially low rate resulting in a UPA deficit. Further, in terms of investments, revenue sharing has been completely removed from the Plan. Mr. Kling stated that we must be prepared to provide the history of fee changes to participants who express concern over the change/increase in fees. Ms. Stevens indicated that she would inform her staff on the history of changes in administrative fees and investment charges so that they may be able to respond to participant inquiries.

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For new participants, the fee change is an increase in what they have previously paid. For long-term participants, it is not an increase in relation to what they have historically paid. (Prior to the current 18 basis point structure, the fees were at 25 basis points.) Mr. Mack suggested that a generic answer to inquiries should include, "Fee structures change every several years resulting in increases and/or decreases." Ms. Stevens reworded the statement to, "The fee structure is re-evaluated annually." The default will be and has been to err on the side of transparency. Ms. Stevens and Ms. Bailey will review the statement narrative this week to make sure that all numbers/wording are correct.

**Newsletter:** At the April meeting, Ms. Burton asked for clarification on what is actually mailed to participants. 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 online account. Ms. Stevens reviewed Commission meeting minutes and stated that Ms. Burton was correct in her recollection of action agreed upon. Ms. Stevens explained that the mailing should have been included in the election of Commission members mail-out. Since there was no election, the newsletter was not mailed. The newsletter will be mailed to all participants in 2Q19 and for 1Q ongoing. Ms. Burton asked if it would be possible to include the newsletter with statements that are mailed to participants. Ms. Bailey stated that she would review the decision to not include the newsletter with her boss to determine if this could be amended. Ms. Stevens will report back to the Commission on this issue. Ms. Burton further suggested that the newsletter be sent as a separate email. Ms. Stevens noted that Mr. Guerin tried accessing the newsletter on line but when he clicked on the link, ZMag appeared which required that he download Adobe 10 on to his computer. Based on this experience, Empower has now changed the newsletter back to a PDF format which requires no downloading action. Ms. Burton suggested that the newsletter appear within the body of an email to make it more readily available and secure to those wishing to access the information. Ms. Burton expressed her desire not to do away with the newsletter as the Commission has an obligation to keep participants informed. Ms. Burton also stated that the newsletter serves as a marketing tool as well. Mr. Kling stated that a PDF attachment does not require clicking on a link and the email could simply state that the newsletter is attached including the Table of Contents of the letter. Ms. Stevens and Ms. Bailey will speak with Empower to determine what action can be taken related to newsletter distribution.

**Marketing Reports 1Q19:** Ms. Stevens reviewed the 1Q19 Marketing report noting that there were 540 new participants and 303 RPA group meetings. The most active agencies in 1Q19 included, LSU-Baton Rouge, DOTD, DCFS, Calcasieu Parish Sheriff, LA State Board of Medical Examiners.

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**Other Business**

**Wilshire Site Visit, August 5-6, 2019:** Ms. Stevens reported that the following Commission members are tentatively planning on attending the Wilshire site visit: Ms. Sanders, Ms. Hubbard and Mr. Mack. Ms. Stevens will confirm with Wilshire that the scheduled timeframe allows sufficient time to accomplish the objective of the meeting.

**NAGDCA Annual Conference, September 8-11, 2019:** Ms. Stevens observed that the NAGDCA Conference is being held in New Orleans and appears earlier on the calendar than in previous years. Commission members were reminded that they must register for the conference if they plan on attending any of the events. Commission members may register online and there is a way to register without payment so that registration fees can be mailed from the UPA. The earlier the registration the less expensive the conference fee. Ms. Stevens is working with Rick McGimsey about the possibility of having Governor Edwards or Jay Dardenne, Commissioner of Administration, bringing opening remarks at the NAGDCA Conference in New Orleans.

**Adjournment**

With there being no further items of business to come before the Commission, Chairman Kling declared the meeting adjourned at 11:23 a.m.

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Laney Sanders, Secretary