

## **Minutes**

### **Louisiana Deferred Compensation Commission Meeting**

**July 18, 2017**

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, July 18, 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 Administration  
Len Riviere, Co-Designee of Commissioner of Financial Institutions  
Laney Sanders, Participant Member

#### **Members Not Present**

Whit Kling, Vice-Chairman, Participant Member

#### **Others Present**

Emily Andrews, 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 Bares called the meeting to order at 10:01 a.m.  
Roll call was taken by Jo Ann Carrigan.

#### **Approval of Commission Meeting Minutes of June 20, 2017**

The minutes of June 20, 2017 were reviewed. Corrections were suggested by Ms. Hubbard and Mr. Enright. The corrections were noted and the minutes were amended. Ms. Hubbard motioned to approve the minutes as amended. Mr. Enright seconded the motion. The Commission unanimously approved the minutes as amended.

#### **Acceptance of the Hardship Committee Report of July 6, 2017.**

The Hardship Committee Report of July 6, 2017 was reviewed. Mr. Riviere motioned for acceptance of the Hardship Committee Report of July 6, 2017. Ms. Burton seconded the motion. The Commission unanimously approved the reports.

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

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**Reinstatement of Participant Member**

Ms. Sanders was sworn in as Participant Member on the LADCP Commission by Ms. Andrews. Paperwork was signed by Ms. Sanders and mailed to the Secretary of State.

**Definition of Political Subdivisions**

Prior to this meeting, Ms. Andrews reviewed the minutes from the June 20<sup>th</sup> meeting and discussed the topic of the definition of political subdivisions with Mr. Morris who was in attendance at the meeting. Ms. Andrews stated that it was her understanding that Bob Tarcza was hired by the Commission to represent the Commission with the legislature. Mr. Tarcza formulated a position which included the definition of a political subdivision. The Commission met and adopted Mr. Tarcza's position and that was advocated to the legislature. Ms. Andrews stated that she did not feel comfortable questioning Mr. Tarcza's opinion as the Commission hired Mr. Tarcza, asked for his opinion and adopted that opinion. Ms. Andrews stated that the Commission could request an Attorney General opinion which would require the Commission adopting a resolution asking for the AG's opinion on whether or not LA Deferred Comp is a political subdivision or state agency. Mr. Enright stated that it was his position that the law is fairly clear that the LADCP Commission does not fit in the constitutional definition of a political subdivision as found in Article 6, 44 – Terms Defined. The argument made to the legislature on the Commission's behalf was that the legislature should not take any action on the House Bill unless they also made an appropriation because the Constitution required one. Mr. Enright stated that he did not think the argument made was accurate. Mr. Enright voiced concern that there are numerous provisions within the statutes that refer to the Commission as an agency. It is one of the agencies in Title 36 that is placed under the Department of Treasury. Mr. Enright stated that the concrete issue in question was that representations were made to the legislature that the Commission is a political subdivision under Article 6 of the Constitution and therefore they could not take action without the accompanying appropriation. Mr. Enright is seeking the Attorney General's opinion on whether or not the representations made to the legislature were correct. Mr. Enright asked Chairman Bares if he would be amenable to placing this topic on the August Commission Meeting agenda for further discussion. Mr. Bares stated that this item could be added to the agenda if there was no objection. In his absence, Mr. Kling asked that Mr. Bares share his position that he did not feel that an AG opinion was necessary since the Commission already has the AG's counsel through Ms. Andrews. Mr. Enright stated that he appreciated the opportunity to discuss this further and that the item be placed on the agenda as: "Discussion for a request of an Attorney General's opinion regarding the definition of a political subdivision."

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**Administrator's Report**

**Plan Update June, 2017:** Ms. Stevens presented the Plan Update as of June 30, 2017. Assets as of June 30, 2017: \$1,599.28 Billion. Asset change YTD: \$88.54 Million; Contributions YTD: \$48.74 Million. Distributions YTD: \$51.44 Million. The Net Investment gain YTD: \$91.24 Million. Ms. Stevens stated that it has been a strong year and noted that the asset change of \$88.54 Million was as a result of the net investment difference.

Ms. Stevens reported that the Plan is preparing for a conversion of the participant website on September 27, 2017. There is a “digital freeze” in place during this conversion process which means that the capability of adding a web banner or bulletin to the webpage is not currently possible. Ms. Stevens stated that the newly added (July 11, 2017) Vanguard Intermediate Term Fixed Income Treasury Fund was posted as a web bulletin prior to the digital freeze. Ms. Stevens further reported that all political subdivisions will be converting to deferral recordkeeping on September 27, 2017 which means a change in processing deferrals that involves files being exchanged between participant website activity, payrolls, and Empower. There will be three communications to the political subdivisions prior to September 27<sup>th</sup> in addition to monthly reminders for a period of time post-conversion.

Ms. Burton asked that Ms. Stevens inquire of Empower if there is a way to access electronic statements by simply “clicking” on a link within the notification email. Ms. Burton has spoken with many retirees who find it frustrating to access statements electronically because of all the different levels of security required. Ms. Stevens stated that she understood Ms. Burton’s concerns but pointed out that the convenience and ease of accessing statements almost has to be secondary to the security of the data. Security must be primary even though it makes it more and more difficult for the participant to access personal statements. Empower Retirement is going to a “multi-factor authentication” with the website conversion. Ms. Stevens also noted that participants can opt back in to receiving paper statements, if they wish.

**UPA June, 2017:** Ms. Stevens reviewed the UPA for the month of June, 2017. Cash balance on hand as of May 31, 2017 was \$2,314,912.80. Ending balance as of June 30, 2017: \$2,296,568.53. Deductions included two invoices from Tarcza & Associates. A third invoice was received this week and will be reflected on the August, 2017 UPA report. Additions included interest for the month of June.

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**CSV Securities Sold:** Securities sold in May, 2017 were reviewed.

**Contract Amendments**

With E-delivery of statements and price-per-head reductions, Ms. Stevens noted that contract amendments must be addressed to include:

- Current contract states that statements will be **mailed** within 20 business days. The plan to move to E-Delivery of statements effective 1<sup>st</sup> quarter of 2018, as of April 1, requires that the contract wording be revised to state “**E-Delivery**” of statements. (Attorneys will provide the standardized language to be used.)
- The Commission will realize a cost savings of \$1.00 per head reducing the recordkeeping fees from \$48 to \$47 effective April 1, 2018. The existing language must reflect:
  - A change from \$48 to \$47;
  - A change from the “old” term of Commission Activity Fund (CAF), found in two locations within the contract, to the current name of Unallocated Plan Account (UPA).
  - A change of the quarterly fee from \$12 to \$11.75.

Ms. Stevens explained a new optional feature for the participant website called “Savings and Bill Manager.” The feature is designed to help participants add discipline in managing their money related to saving, paying off debt and establishing an emergency fund. The cost of the program to the participant is \$6.00 per month which will be clearly stated on the website. If accepted, the feature would be available on September 27, 2017. There was discussion related to the viability of the new feature which included:

- Is the benefit to the participant worth the hassle to the Plan if something goes wrong?
- There would be a greater comfort level if the feature was in use by other states who found it viable.
- Why would a participant pay \$6.00 per month for a feature that is already offered through banks at no additional charge?

Ms. Burton motioned to not include the “Savings and Bill Manager” feature on the website at this time but should be reviewed/addressed again in one year. Mr. Enright seconded the motion. There was no objection to the motion. The Commission unanimously approved the motion.

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Further discussion of the contract amendment changes involved details related to E-Delivery of statements.

- Mr. Enright stated that the actual cost savings related to eliminating paper statements currently mailed to participants may be greater than the \$1.00 savings noted. Mr. Enright surmised that it is probably costing \$4.00/year per participant to mail the statements and wanted to know where the remaining \$3.00 savings was going. Ms. Stevens stated that she could not answer the question definitively but suggested:
  - The mailing costs and savings are not actually dollar for dollar.
  - There is overhead involved.
  - There is the continued annual mailing of ballots and fund changes which involves cost.
- Mr. Enright suggested that any savings be passed along to the participants and therefore costs should be something that could be tracked. Ms. Stevens responded that there are two different sets of fees: Recordkeeping (\$48 per head paid by the Commission to Empower Retirement) and participant fees of \$22.50 per quarter or \$90 per year. The \$48 recordkeeping fee is not a direct charge to the participant but is in fact, part of the \$90 fees paid/year by participants to support the Plan.
- Several members of the Commission stated that they thought that the Commission approved sending an annual statement (paper copy) with the election ballots/fund change correspondence. Ms. Stevens stated that the enclosure would be a reminder that a statement was available not the actual statement. There is no way to send the actual statement in the current set up. Ms. Burton asked Ms. Stevens to review past Commission Meeting minutes to confirm what was actually approved related to an annual mailing of statements. Unless participants opt out of E-Delivery of statements, the last time participants will receive a paper copy of the statement is March 31, 2018. Ms. Andrews stated that she would delay review/action related to amending the contract amendments until this issue has been resolved. Ms. Andrews advised the Commission that if they wanted to reverse their decision related to E-Delivery of statements, the agenda should be noted as follows: "Reconsideration of E-Delivery of Statements".

Contract amendments were tabled until the next Commission Meeting.

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**Other Business**

**LASERS Video:** Ms. Stevens brought to the attention of the Commission a LASERS video now available on the LASERS website. Participant phone calls regarding the video began immediately after the posting of the video. Mr. Riviere stated that he sent a link to the video to all of his office personnel (170+ people). Ms. Sanders was impressed that many people clicked the link to the video the same day that it became available.

**Rollover Rules:** Ms. Andrews suggested that while Mr. Tarcza is under contract, confirmation should be determined whether or not money can be rolled out of the Plan while the participant is still employed. Ms. Andrews stated that according to the Plan Document, there does not appear to be a way to roll money out of Deferred Comp while still employed. This may have been a conscious choice by the Commission but some participants may wish to remove their money as a result of being unhappy with decisions made. Ms. Stevens stated that regulations prevent participants from withdrawing/rolling over their money while they are still employed. Ms. Andrews felt that the Plan document was a little “tighter” than the IRS rules but stated that she would speak with Mr. Tarcza directly about rollover rules. Ms. Burton stated that, in the past, the Commission worked with Mr. Tarcza resulting in an addition to the Plan Document stating that the Plan would always be in compliance with Federal Law. Ms. Andrews suggested that while Mr. Tarcza is under contract, the Commission should bring to his attention any other issue that may need to be “cleaned up”.

**NAGDCA:** The annual NAGDCA Conference is in Milwaukee, WI this year scheduled for September 24-27, 2017. Ms. Burton will attend the Conference.

**Article in the LMA Newsletter:** Mr. Enright stated that the Treasurer of the State of LA has drafted a letter endorsing the LA Deferred Comp Plan that will appear in an upcoming LMA Newsletter. The Treasurer will be sending a copy of the letter for Ms. Stevens review prior to submitting the letter to the newsletter. Mr. Enright suggested that the letter could also include a section announcing the new participant website.

**Adjournment**

With there being no further items of business to come before the Commission, Chairman Bares declared the meeting adjourned at 11:07 a.m.

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Virginia Burton, Secretary