

MINUTES
Louisiana Deferred Compensation Commission Meeting
February 14, 2023

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, February 14, 2023 in the office of the Service Provider, 9100 Bluebonnet Centre Blvd, #203, Baton Rouge, LA, 70809 at 10:02 a.m.

Members Present

Virginia Burton, Chairman, Participant Member – *via video conference*
Doug Buras, Co-Designee of Commissioner of Financial Institutions
Stewart Guerin, Designee of the Commissioner of Insurance
Beverly Hodges, Participant Member
Andrea Hubbard, Vice Chairman, Co-Designee of the Commissioner of Administration
Julius Roberson, Designee of the LA State Treasurer
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

Stephen DiGirolamo, CFA – Managing Director, Wilshire Associates
Brett Robinson, State of Louisiana Attorney General’s Office, Baton Rouge
BlackRock:
 Ashwini Apte – Relationship Management Team - *via video conference*
 Nicholas Nefouse, head of Life Path and Global head of Retirement Solutions team, Black Rock-
 via video conference
 Martin Pasillas – Relationship Management Team - *via video conference*
 Nicholas Sarkos – Relationship Management Team - *via video conference*
 Lisa Tyley, Relationship Management Manager, BlackRock – *via video conference*
William Thornton, Senior Manager, Client Portfolio Srvcs, AAG, Denver-*via video conference*
Karen Scott, Sr Client Services Manager, Empower, Denver-*via video conference*
Michela Palmer, Communications Strategist Participant Mktg Comm Gov, Empower, Denver-*via video conference*
Shannon Dyse, Relationship Manager, Empower, Baton Rouge
Rich Massingill, Manager, Participant Engagement, Empower, Baton Rouge
Beau Bordelon, RPA, North Louisiana-*via video conference*
Patrick Hannie, RPA, Baton Rouge-*via video conference*
Will Parrie, RPA, New Orleans-*via video conference*
Jo Ann Carrigan, Sr. Field Administrative Support, Empower, Baton Rouge

Call to Order

Ms. Hubbard called the meeting to order at 10:02 a.m. Ms. Carrigan called roll of Commission members.

Public Comments

Ms. Hubbard stated that the meeting is accessible to the public and invited anyone who had joined the meeting to participate in the call. There were no public comments.

Approval of Commission Meeting January 10, 2023

The minutes of the January 10, 2023 Commission Meeting were reviewed. Ms. Hodges motioned to accept the minutes as presented. Ms. Sanders seconded the motion. The Commission unanimously approved the motion.

BlackRock Presentation

Mr. DiGirolamo introduced BlackRock representatives who joined the meeting to review existing Life Path Funds and a snapshot introduction into a second series called “Life Path Paycheck Funds” that includes some annuity concepts to be launched later this year. Ms. Tyley thanked the Commission for their partnership and for trusting BlackRock to manage the Plan’s Life Path Funds as well as several of the Index Funds used in the program. Ms. Tyley stated that it is BlackRock’s purpose to help as many people as possible to experience financial wellbeing adding that performance was the only agenda. BlackRock has \$8.6 trillion assets under management. The assets are not BlackRock’s but rather, they belong to the participants which means it is entirely the participants’ choice on whether they want to invest in ESG Funds or not. None of the BlackRock Funds used in the LA Deferred Comp Plan are ESG Funds. All of the funds are Index Funds. The purpose of Index funds is to track and seek returns and characteristics that are in line with their benchmarks. BlackRock launched the first Target Date Funds in the industry in 1993 and since then, BlackRock continues to make tweaks and enhancements to improve outcomes for participants. Ms. Apte stated that the focus of BlackRock’s glidepath is to make sure that participants can move from one source of income to another without disruption to their current standard of living. Life Path Paycheck builds off this glidepath and allows participants to buy into an income unit thus providing for the option and not the obligation to annuitize at retirement. The program was built to keep power in the hands of the participants. Mr. Nefouse provided an overview of LifePath Funds and Life Path Paycheck Funds. Ms. Tyley stated that if Life Path Paycheck funds are something the Commission would like to further explore, she and her team would be happy to return to do a deeper dive on this solution. Mr. DiGirolamo confirmed that the Life Path Paycheck Fund is a completely new option that has not previously been offered and is not currently available. There are no set fees related to pricing at this time. A decision by the Commission is not immediately necessary regarding this option.

Louisiana Market Overview

Mr. Thornton stated that 2022 was one of the worst years ever in the investment markets especially on the Fixed Income side. Fixed Income was down by 13% in the Bloomberg Aggregate Bond which was the worst performance seen since 1878 (145 years). Everything, however, has operated as expected in the Stable Value fund. The yield curve shows a drastic increase in rates from 2021-2022 due to inflationary issues over the past year. Fixed Income yields are the most attractive they have been in quite some time as a result of inflation. The investment team is transitioning from planning for inflation to what is expected on the growth side. The Federal Government has quickly stepped in to raise rates but the pace of raising rates is anticipated to slow down. Mr. Thornton stated that there will be more rate increases in the future, however; there are signs of inflation easing in some areas. Consumer spending has slowed, and consumer borrowing has increased.

Louisiana CSVF

The investment team is not in a hurry to add anything to the portfolio as they look for better inflation numbers. Some securities have been trimmed and cash is being held due to a 4.5% yield return. There has been no significant change in sector allocation.

Louisiana Credit Letter

Mr. Thornton reported that there were no changes to the credit letter to report. It is recommended that the Plan continue to hold the Lehman Brothers Unsecured Notes within the portfolio to benefit from any future distributions.

Louisiana Securities Sold – November

Mr. Thornton stated that no securities were sold in November, 2022 but short-term maturities on the cash side were allowed to mature. December securities sold were those that had reached maximum value while the rest of the securities listed were allowed to mature or were the results of trimming.

Q422 Wilshire LA Performance

Mr. DiGirolamo presented the 4th Quarter Investment Performance report which reflected a rally at the end of the year due to GDP growth. Within the US Equity Market, Small Cap stocks out-performed Large Cap stocks by a small margin. Value stocks significantly out-performed growth stocks which is reflected by strong performances in individual sectors that are more value oriented such as energy, industrials, consumer staples, financials, and health care. Growth stocks such as information technology, communication services and consumer discretionary trailed in December of 2022. The non-US Equity Market outperformed the US Equities Market in 4Q22. Developed markets out-performed emerging markets for the quarter. In general, developed Europe and Japan rallied well. China also had a nice rally because of some of the COVID-19 restrictions being lifted. US Fixed Income was reviewed by Mr. Thornton noting that the yield curve does not reflect much change year-over-year. Spreads narrowed significantly for almost all indexes which drove prices up. 2022 was a historically bad year in terms of bond performance. Bonds are starting to react to market conditions as expected. Commodities is the only Asset Class in positive territory for 2022 which was almost all driven by energy. The good news is that markets are rallying in 2023. There is still a lot of volatility in the marketplace, but the anticipation is that it will stabilize by the end of the year. Most the plan's assets are in US Equity and Stable Value with Target Date Funds growing. Overall, it was a good quarter for active managers. Stable Value had some positive yield compared to other asset classes. Life Path Funds had positive returns across the board out of all the individual funds and are basically in line with the benchmark. Funds that are further from retirement performed better than those that are closer to retirement. In summary, it was a challenging year, but the plan held up well in terms of positioning and what is being offered to participants. The focus this year will be to hear from active managers. In March, MFS representatives will bring a virtual presentation.

Investment Policy Statement

Mr. DiGirolamo stated that the Investment Policy Statement is being revised, at the request of Ms. Burton, due to the age of the existing statement (2005). There are several changes necessary that deal with the Plan lineup. The reiteration of the IPS will reflect the new Plan lineup and guidelines for the Stable Value Manager that were updated in 2018. Mr. DiGirolamo will present the revised IPS for Commission approval in March. Mr. Thornton will be asked to review the Stable Value guidelines prior to the final draft. Going forward, the IPS will be monitored at a minimum of every two years. Mr. Roberson suggested that the platform be reviewed to add more investment options. Mr. DiGirolamo stated that this will be an ongoing discussion topic for 2023 and will be visited again in upcoming meetings.

Service Provider's Report

Q422 Case Reconciliation: Ms. Dyse reviewed the Quarterly Fee Reconciliation report noting that there was a reduction in the administrative fees in 2022 resulting in a net increase in the UPA. In 2022, the Stable Value Fund fee increased to .245 basis points. There was discussion centering in participant education. Mr. Massingill reported that education videos are being developed and are now in the hands of Empower's compliance team. Webinars are currently available. Ms. Hubbard asked for a report of the number of new participants entering the Plan who attended an educational meeting or had contact with an RPA. Mr. Massingill indicated that he will attempt to retrieve this information and report back to the Commission.

Plan Update as of January 31, 2023: Mr. Dyse reviewed the Plan Update as of January 31, 2023. Assets as of January 31, 2023: \$2066.54 Billion; Asset Change YTD: \$83.97 Million representing a 4.2% increase over the previous month. Contributions YTD: \$8.58 Million; Distributions YTD: \$11.12 Million. Net Investment Difference YTD: \$86.51 Million.

UPA – December, 2022 and January, 2023: Mr. Dyse reported the December, 2022 and January, 2023 UPA reports. The UPA balance at the end of January was \$1,331,690.99.

UEW Report – January, 2023: Mr. Dyse presented the UEW Report for the month of January, 2023. There were 14 requests submitted and all 14 were approved. With Secure 2.0, participants will be allowed to self-certify.

Commission Election

Ms. Carrigan reported that there will be an election for the Participant Seat that expires on June 30, 2023. The candidates in the election are Mr. Lester Turner Jr. and Ms. Laney Sanders. The 2023 Election Sequence of Events Calendar was submitted to the Commission for review. A drawing will be held on Tuesday, February 21st to determine the order that candidate names will appear on the ballot.

Other Business

Mr. Buras reported that Mr. Scott Jolly has been appointed as Commissioner by the Governor, subject to confirmation by the legislature. In the interim, Mr. Buras will be delegated to serve as the representative for the Commissioner of Financial Institutions. Mr. Buras stated that he has served as an alternate on the Commission for 13 years and is very familiar with the Plan and the Commission's operation.

Mr. Dyse reported that there was a Federal Tax Law change that was implemented by Empower at year end. The change impacted in at least one participant not having taxes withheld, and Ms. Hodges was contacted by the same participant regarding this. Mr. Dyse is researching this issue further.

Adjournment

With there being no further items of business to come before the Commission, Vice Chairman Hubbard declared the meeting adjourned at 12:40 p.m.

Laney Sanders, Secretary