

MINUTES-AMENDED

Louisiana Deferred Compensation Commission Meeting

February 26, 2019

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, February 26, 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
Len Riviere, Co-Designee of Commissioner of Financial Institution
Laney Sanders, Secretary, Participant Member

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

Craig Cassagne, State of Louisiana Attorney General's Office
Marybeth Daubenspeck, Vice President, Government Markets, Empower Retirement *via Conference Call*
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. Roll call was taken by Jo Ann Carrigan.

Chairman Kling stated that Mr. Emery Bares, long-time Commission Chairman, resigned his position in January and requested that no special recognition be given him upon resignation from the Commission. Mr. Kling noted that Mr. Bares was the last of the original board members to serve and that he provided a valuable service for many years. Mr. Kling thanked the Commission for being flexible with the scheduled February meeting date which was moved from February 12, 2019 to February 26, 2019.

Public Comments: There were no public comments.

Approval of Commission Meeting Minutes of January 15, 2019

The minutes of the January 15, 2019 Commission Meeting were reviewed. Ms. Burton motioned for the acceptance of the January 15, 2019 minutes. Ms. Hubbard seconded the motion. The Commission unanimously approved the minutes.

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Acceptance of the Hardship Committee Report of February 7, 2019

The Hardship Committee Report of February 7, 2019 was reviewed. Ms. Burton motioned for acceptance of the Hardship Committee Report of February 7, 2019. Ms. Hubbard seconded the motion. The Commission unanimously approved the report.

Commission Board of Officer(s) Position Openings

Mr. Kling shared his intention of staying on the Commission and seeking the position of chairman. Mr. Kling also stated that he had no objection if someone else on the Commission wanted to serve in the chairman position. Commission members were given the option of voting on officers this month or next. The Commission chose to vote during the February meeting. Ms. Stevens distributed printed ballots to the members. The results of the election were as follows:

- Chairman: Whit Kling
- Vice Chairman: Virginia Burton
- Secretary: Laney Sanders

Mr. Stewart Guerin has been appointed as the new designee of the Commissioner of Insurance. Mr. Bares previously served as the designee.

Administrator's Report

Ms. Daubenspeck stated that Empower Retirement would have liked to have had a celebration in recognition of Mr. Bares' years of service but appreciated his preference of having no fanfare related to his resignation. Ms. Daubenspeck shared that Empower Retirement has valued the partnership with Mr. Bares over the years.

Ms. Daubenspeck reviewed with the Commission leadership changes that have occurred within Great-West and Empower Retirement during the past month.

Ms. Daubenspeck announced that she will attend the April, 2019 Commission Meeting and will present the 2018 operational update noting achievements made in quality service in the past year. Ms. Daubenspeck mentioned that she would be presenting additional offerings to the Commission in April regarding Retirement Solutions services, hardships, death benefit claims and Domestic Relations Orders.

Plan Update as of January 31, 2019: Ms. Stevens presented the Plan Update as of January 31, 2019. Assets as of January 31, 2019: \$1.690 Billion; Asset Change YTD: \$74.25 Million; Contributions YTD: \$8.61 Million; Distributions YTD: \$10.25 Million. Net Investment Difference YTD: \$75.89 Million. Ms. Stevens pointed out that there is historically a flurry of distribution activity in January.

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UPA-January, 2019: Ms. Stevens reviewed the UPA for the month of January, 2019 2019 reflecting an ending balance \$2,112,706.95.

Case Reconciliation 4Q18: Ms. Stevens reviewed the 4Q18 Case Reconciliation report including a UPA detailed report for the entire year of 2018. Total additions coming into the Plan based on participant recoveries: \$1.537 Million; Total deductions (what it takes to run the Plan): \$1.879 Million leaving a deficit of \$342,486. Wilshire Associates will revisit these reports studying revenue coming and going out. Ms. Stevens will contact Wilshire Associates to confirm when a fee analysis will be presented to the Commission.

Plan Review, 4Q18: Ms. Stevens reviewed the Plan Review for the period January 1, 2018 to December 31, 2018. Plan Assets as of December 31, 2018 were \$1,617.65 Billion. Plan assets decreased by \$62.42 million (3.7%) from January 1, 2018 to December 31, 2018. Contributions: \$96.56 Million and Distributions: \$118.81 Million. The overall number of participants in the Plan grew 589 net participants. The term “net participants” refers to the combination of the number of new participants and the number of participants making full withdrawals. The average account balance decreased to \$41,612.58. Ms. Stevens explained that the decrease in the average account balance reflects the number of new participants joining the Plan in addition to market conditions. Ms. Stevens gave an update on the Vanguard Intermediate Term Treasury Administrative Fund which dropped from \$3.6 Million to \$406,000 in assets with a decrease of 300 participants. Morningstar routinely revisits the fund line-up and they removed the Vanguard Intermediate Term Treasury Administrative Fund from the used funds list in the Managed Accounts service as it was concluded that the asset classes were sufficiently covered without this fund. Prudential Total Return and iShares US Aggregate Bond Index are now used in lieu of the Vanguard fund. Ms. Stevens noted that the use of Life Path Funds continues to grow. When Life Path funds mature every 5 years, the assets automatically move from a dated fund to the retirement fund in the third quarter of each year. The Stable Value rate is currently 2.6% as of the first quarter of 2019. Investment performance in January was strong. There was an increase of \$790,000 in contributions from 2017 to 2018 with 634 more contributing participants in 2018. Ms. Stevens credited the following events for the increases:

- An email from Jay Dardenne sent to all state employees in September encouraging participation in the Plan.
- An email from LASERS sent to state employees in October encouraging participation in the Plan.
- Full files received from LSU and the state allows participants to enroll online via the website.

Hardship withdrawals reflected an increase from 67 in 2017 to 104 in 2018. There was no significant special event (flood, hurricane, etc.) that prompted the increase.

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Advisory Services: In the past, participants were charged \$6.25 per quarter for asset allocation that was fund-specific. Effective January, 2019, participants are no longer charged for this service.

Participants are charged 45 basis points annually/.1125 quarterly for Managed Account services. A Managed Account “free trial” period was offered to participants from September 1-November 30, 2018.

Marketing Report: Plan Activity 4Q18

New participant applications received in 2018 totaled 2,869 with the third quarter reflecting a total of 1,112 (probably due to the Jay Dardenne email and pay increases for state employees). Ms. Stevens stated that she encourages participants to take advantage of the automatic increase feature at a specific time allowing increases to “inch up” without a noticeable decrease in “take-home” income. There were 1,312 group meetings held in 2018 which exceeded the annual goal of 1,300. The most active agencies in 4Q18 were: DOTD, LSU Baton Rouge, DCFS, DHH-Office of Public Health and the St. Charles Parish sheriff.

Custom Stable Value – Economic Review and Outlook; Portfolio Review

Mr. Thornton was unavailable due to his flight schedule so the Custom Stable Value reports will be presented at the March meeting.

Credit Letter: Ms. Stevens reviewed the Credit Letter with the Commission noting that the Lehman Brothers Unsecured Notes that was purchased in November of 2005, remains on the list. As of February 19, 2019, there were no derivative securities being used within the stable value portfolio.

Securities Sold-December 2018 and January 2019: Securities sold in December, 2018 and January of 2019 were reviewed.

Other Business

Participant Member Election Update: The Nominating Committee met on January 3, 2019 and nominated Whit Kling to run for the participant member opening. Other interested parties could run for the position through the petition process. The deadline to petition for the position was February 15, 2019 and there were no responses received. Mr. Kling noted that in a review of the rules and statutes regarding the election, it was determined that there is nothing stipulated in the rules/statutes related to a specific response deadline. This issue will be reviewed to determine if a revision is necessary to the Plan rules and statutes.

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Audit Sub-Committee: Mr. Kling reported that the Audit Sub-Committee met prior to the Commission Meeting on February 26, 2019. (The meeting had been rescheduled from the January 15, 2019 meeting.) Members of the sub-committee discussed responsibilities/limitations and suggested that the sub-committee's level of responsibility be documented. It is understood that the sub-committee has limitations as a result of the role that the LA Legislative Auditor plays in the appointment of the auditing firm and its evaluation. The sub-committee agreed to send a letter to the appointed auditor asking that he formalize his audit plan, his strategy, information requirements, timeframe/deadlines, potential risks, any anticipated changes from last year, the projected output and what the auditor's reliance on outside auditors will be. The sub-committee will also ask the assigned auditor to meet with them by phone prior to the March Commission Meeting to include a formalized response as to when to anticipate receipt of a draft audit report. Mr. Kling noted that the assigned auditor has been invited to the next meeting. A draft of a formalized charter for the Audit Sub-Committee will be reported at the next meeting. In the past, the Commission has relied on Great West to address audit reports. Going forward, the Audit Sub-Committee will serve as the point of contact for audit-related issues. Ms. Burton noted that the current contract includes specific requirements in the contract related to the role of the administrator. Mr. Riviere noted that Mr. Mack will be serving on the Audit Sub-Committee in his place as Mr. Riviere will be retiring in the new future.

Proposed Legislation: Ms. Hubbard advised the Commission of a "hybrid bill" (House Bill 28) sponsored by Representative Barry Ivey which would establish a hybrid retirement benefit structure for members of the state retirement systems first hired on or after July 1, 2020.

Adjournment

With there being no further items of business to come before the Commission, Chairman Kling declared the meeting adjourned at 10:58 a.m.

Laney Sanders, Secretary