

MINUTES
Louisiana Deferred Compensation Commission Meeting

June 18, 2019

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, June 18, 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
J. Douglas 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

Marybeth Daubenspeck, Vice President, Government Markets, Empower Retirement, Denver
Andrea DiSaverio, AVP Recordkeeping Account Design and Ops, Empower Retirement, *via telephone from Denver*
Karen Scott, Sr. Client Service Manager, Empower Retirement, *via telephone from Denver*
Judd Thompson, Assistant General Counsel, Empower Retirement, *via telephone from Denver*
J. Aaron Cooper, CPA, LLC, *via telephone from Jennings, LA*
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
Wayne Veal, RPA, 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 May 21, 2019

The minutes of the May 21, 2019 Commission Meeting were reviewed. Mr. Buras motioned for the acceptance of the May 21, 2019 minutes. Ms. Sanders seconded the motion. The Commission unanimously approved the minutes.

Minutes

Louisiana Deferred Compensation Meeting

June 18, 2019

Page 2 of 7

Acceptance of the Hardship Committee Report of June 6, 2019

The Hardship Committee Report of June 6, 2019 was reviewed. Mr. Guerin motioned for acceptance of the Hardship Committee Report of June 6, 2019. Ms. Hubbard seconded the motion. The Commission unanimously approved the report.

Financial Audit Update

With there being no objection, the Financial Audit Update was moved ahead of the Administrator's Report on the agenda as the auditor, Aaron Cooper, was attending the meeting via telephone for this portion of the meeting only. The last submitted version of the Financial Statements and Auditor's Report as of December 31, 2018 was reviewed. Mr. Cooper had no additional comments to make but noted that the audit process went very smoothly and that there were no findings to report. Ms. Hubbard motioned to accept the audit report as submitted. Ms. Sanders seconded the motion. Mr. Kling advised Mr. Cooper that the Commission has signed off on the report and that he may proceed with submitting the report to the LA Legislative Auditor. Mr. Cooper will provide an electronic copy of the report in addition to two hard copies.

Administrator's Report

Plan Update as of May 31, 2019: Ms. Stevens presented the Plan Update as of May 31, 2019. Assets as of May 31, 2019: \$1,720.98 Billion; Asset Change YTD: \$105.23 Million; Contributions YTD: \$43.35 Million; Distributions YTD: \$51.79 Million. Net Investment Difference YTD: \$113.67 Million. The list of securities sold in April, 2019 was reviewed. Mr. Buras asked if the securities sold resulted in net gains or losses. This information was not available from the list provided but Ms. Stevens offered to enhance future reports to include the selling price.

UPA-May, 2019: Ms. Stevens reviewed the UPA for the month of May, 2019 reflecting an ending balance \$1,603,709.43. Additions included interest for the month May. Deductions included the recordkeeping fee paid to Great West Financial.

Enhanced Plan Services Update: Ms. Stevens reviewed a draft of the amendment to the contract that would allow Empower's "Enhanced Plan Services" to take 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. Mr. Kling and the Attorney General's office received the amendment draft prior to the meeting. Ms. Stevens pointed out that there is a delegation clause in the rules that allows a third party to handle the above-noted tasks. Mr. Morris stated that he had not had a chance to review the draft prior to the meeting but will do so in time for the July Commission Meeting. The Commission will review and approve the revised document, if the Attorney General's office finds no issue with the draft. By way of review, Ms. Stevens noted that by making this change, Empower is assuming responsibility and liability for decisions made. There is no additional cost for this service. Hardship requests will be processed as they are submitted instead of once-a-month which is the current timeframe involved in Hardship

Minutes
Louisiana Deferred Compensation Meeting
June 18, 2019
Page 3 of 7

approvals/distributions. A model form of a 457b Qualified Domestic Relations Order was provided for review.

Wells Fargo Custodian: Mr. Kling reviewed the issue that was brought up in the May 2019 Commission Meeting regarding statements provided by Wells Fargo, the custodian for the Plan that reflected no activity/detail. Mr. Kling reviewed the statement with Ms. Daubenspeck, Ms. Scott, Mr. Thompson, Ms. DiSaverio and Ms. Stevens and was relieved to find that Wells Fargo is really just the legal owner of the account. The Internal Revenue Service requires that there be a custodian for the Plan. Wells Fargo has no real transactional role under Section 3 of the Power of Custodians. Previously, the Commission transferred transactional authority to Great West who utilizes US Bank, JP Morgan as trustee accounts for the inflow and outflow of funds. Great West is actually the record-keeper of the transactions maintaining all records normally seen under a trust account. US Bank is for the flow of incoming dollars, flow-to-fund, per Great West's direction. JP Morgan is for the flow of outgoing dollars in a controlled disbursement account. Great West maintains all transactional activity related to the funds. Great West provides a "Commission Plan Summary Report" on a monthly, quarterly and yearly basis which is approximately 20,000 pages long. Great West in turn, provides a lump sum valuation amount to the custodian (Wells Fargo) which is what is available on the Wells Fargo, 6-page statement. Currently, there is no platform interface between Great West and Wells Fargo or JP Morgan. There is limited platform interface between Great West and US Bank. Wells Fargo has entered into an agreement to be acquired by Principal Financial sometime in the third quarter of 2019. The Commission must determine whether or not to keep a contract with Principal Financial or possibly move custodial services to Great West who now has its own trust company. The Great West Trust Company is a fully integrated platform. Ms. DiSaverio who has been with the Plan since its inception, clarified that Wells Fargo depends on Great West through an agency agreement with Wells Fargo. Wells Fargo performs due diligence and conducts site visits to ensure that Great West is compliant with all requirements. Wells Fargo relies on Great West to produce the 20,000 page Plan Summary Report and Wells Fargo relies on Great West for all transactions and reconciliations. Mr. Kling stated that, based on the contract, the Commission has the authority to reappoint a custodian, if the Commission chooses to do so based on what is best for the Plan. State banking laws would need to be reviewed to determine whether or not US Bank or JP Morgan could be dropped for the purposes of streamlining. Ms. DiSaverio clarified that the bank account of the LA Deferred Comp Plan is the US Bank account for the operating account which is under Wells Fargo's name with their tax ID number for account registration. If the Commission chooses to move the account from Wells Fargo to Great West Trust, all that would be needed is to change the account registration at the bank because it is actually at US Bank but Wells Fargo owns the account. US Bank has automated lock box processing which Wells Fargo does not offer at their actual bank. From the disbursement side, JP Morgan is located in Baton Rouge and is also owned by Wells Fargo requiring a change in ownership if the move was to Great West Trust. This would minimize any system changes or testing that would have to be done if the Commission chose to change actual

Minutes

Louisiana Deferred Compensation Meeting

June 18, 2019

Page 4 of 7

banks. Mr. Mack asked for clarification on what services have been offered by Wells Fargo in the past and what has changed since the initial arrangement was set up. Ms. DiSaverio pointed out that when the State of LA was first on-boarded with Great West, the Plan was in all of the Great West funds which technically meant that a custodian was not absolutely necessary. When the Plan went to outside mutual funds, Wells Fargo had to be entered into the agreement from the legal side to register the investment accounts. Wells Fargo's services have not changed over the years. Mr. Thompson stated that the Federal law changed in 1996 that went into effect in 1999 that required a custodian. At the time (late 1990's/early 2000's), the Plan was still using annuity products from Great West and the annuity contracts met the legal requirements from a trust and custodial perspective. In 2002, the Plan added outside mutual funds but the Great West Trust Company was very much in its infancy from a developmental standpoint. It was determined, at that time, that that there was more comfort in having a third party (Wells Fargo) involved. Mr. Kling asked Mr. Morris if a change in custodial services would require a bid process. Mr. Morris stated that he would look at the procurement code to determine if this would be the case. Mr. Morris also stated that the current agreement may have to be terminated and a new agreement be established with whomever the next custodial company will be. Mr. Guerin stated that the Dept of Insurance requires insurance companies to have certain required provisions within their custodial agreements some of which would be applicable to any trust situation such as reporting, sufficient insurance protection and internal controls. Mr. Buras voiced concern that the Commission may be relying too much on Great West and that it may be more prudent to have an outside party serving as custodian for the Plan. Ms. DiSaverio stated that of the \$1.7 Billion in assets, outside mutual funds are held at each of the individual mutual fund companies. Ms. DiSaverio further pointed out that the Stable Value Fund is a separate Great West account that is totally bifurcated from any of Great West's general account assets. Mr. Mack asked if the Great West Trust Company was completely independent or if it was under the Great West umbrella. Mr. Thompson explained that the Great West Trust Company is a subsidiary of Great West Life and Annuity Insurance Company. The Great West Trust Company has its own separate board that is subject to the regulation of the State of Colorado. The Colorado Division of Banking audits the Great West Trust Company every 18 months. The Great West Trust Company is a part of the larger operations of the company but it operates using a separate board structure from a regulatory perspective. Mr. Buras asked for copies of Great West Trust Company reports that could be reviewed and Mr. Thompson stated that he would look into reports that could be released for viewing. Mr. Mack asked that the fee structure be reviewed comparing Wells Fargo fees with Principal and Great West Trust Company fees. Ms. Stevens pointed out that the Wells Fargo fee is currently \$3000 annually (up from \$2500 a few years ago). Principal has not yet made a decision related to fees nor has the deal with Wells Fargo closed at this time. Mr. Thompson stated that he thought that Great West Trust Company fees would be less but was unable to quote the actual annual amount. In summary, Mr. Kling reviewed action required to be able to come to a decision which included:

- Ask the Attorney General to look at the contract to see what is required.
- Is a bid process required?

Minutes

Louisiana Deferred Compensation Meeting

June 18, 2019

Page 5 of 7

- Have as much information by the July meeting to know what the Commission's options are.
- Confirm that the Great West Company has proper protection from creditors should something go awry. Ms. Burton stated that if additional assurance is needed, a request be made of Wilshire or the CPA to perform additional oversight. Ms. Burton stated that the Commission is asking Great West to do a lot when, in effect, Great West is providing services that they would be giving oversight on. Professionals, such as Wilshire, could provide good checks and balances prior to making the decision. Mr. Kling and Ms. Daubenspeck will look into asking Great West and Wilshire to look into these topics.
- Mr. Kling stated that this is not an issue that has timeframe constraints.

Mr. Kling thanked the Great West representatives attending the meeting via telephone, for their contribution to today's discussion.

Auto Enrollment

Mr. Morris reported that legislation is needed to offer auto enrollment to State employees. Mr. Morris stated that legislation is varied from state-to-state and that Mr. Cassagne reviewed legislation from the states of Tennessee, Arkansas and Washington for examples of current legislation. Issues addressed included:

- Whether or not the amount deferred is a dollar amount or a percentage.
- What are the procedures that allow employees to opt out.
- Is there a continuing notice to all employees asking if they want to continue or opt out?

Mr. Cassagne stated that all LA Deferred Comp statutes are under Title 39. If the Commission chose to seek legislation to offer auto enrollment, the examples from other states provided could be used to draft legislation. Mr. Morris' office would assist in drafting the document but cautioned the Commission to consider holding off on new legislation until such time as it is determined what the composition of the Senate and House will be. Ms. Daubenspeck recommended that the deferral amount be based on percentage rather than a dollar amount so that even if the participant never changes his deferral amount, his deferral will increase each time he/she is given a raise in salary. Mr. Cassagne reported that less than half of the states have auto enrollment for 457b Plans. Ms. Daubenspeck stated that "Age Based Target Date Funds" have become popular as the defaulted investment option but noted that some states still default to a secure guarantee option. Ms. Burton asked if the State of Louisiana's garnishment laws would prevent auto enrollment. Mr. Cassagne stated that so long as legislation was in place that specified auto enrollment was a term of employment under Title 11, Section 4, there would be no issue. Ms. Morris reported that more specific legislation applies over a "general" rule of law. Mr. Morris concluded that unless there is a constitutional issue, it would not preclude a new legislation from being enacted from a legal standpoint. Further, Mr. Morris suggested that auto-enrollment be limited to State employees as it could not be imposed on employees of municipalities or political subdivisions unless they choose

Minutes
Louisiana Deferred Compensation Meeting
June 18, 2019
Page 6 of 7

to do so and it does not violate charters in place. Mr. Kling asked Mr. Morris to look into whether or not the Commission is considered a “trustee”.

Communications

Newsletter: Ms. Stevens presented the “Louisiana Keynotes” newsletter to the commission that will be mailed to all participants in 2Q19. Ms. Stevens also pointed out that a FAB notice is sent out every Fall notifying employees that they have an account with the LA Deferred Comp Plan. Ms. Burton stated that her concern is that there be at least one letter mailed to each participant in the Plan per year. Going forward, the newsletter will be mailed during the first quarter of each year along with any election notice.

Other Business

NAGDCA Annual Conference, September 8-11, 2019: Ms. Stevens asked that Commission members wishing to attend the NAGDCA Conference in New Orleans enroll during the “early bird” registration period (by July 16th) and to let her know so that a check could be issued from the UPA to NAGDCA. The UPA also reimburses Commission members for travel, lodging and incidental meals. There is no cost to the Commission member’s agency. Prior permission by the Commission member’s agency and a possible Board of Ethics form may be required. The UPA and not Great West (a third party) pays for the Commission member’s attendance/costs.

Ms. Stevens’s Resignation: Ms. Stevens announced that she would be retiring from Great West on June 30, 2019. Ms. Stevens has served in her position since 2006 and stated that it was time to make this move based the needs of her family. Ms. Stevens will continue to work contract through the end of the year – behind the scenes – to assure a smooth transition. Ms. Daubenspeck and Danette Rausch will be assuming Ms. Stevens’ responsibilities in the interim. Mr. Kling stated that Ms. Stevens has been wonderful to work with over the years. Commission members congratulated Ms. Stevens on the plan she put into place to be able to retire at this point in her career. Ms. Daubenspeck noted that Ms. Stevens’ could be the “poster child” for the Plan as she accomplished the very thing set before all State employees-adequately preparing for retirement.

Wilshire Site Visit, August 5-6, 2019: Ms. Daubenspeck confirmed that she will be available to attend the Wilshire Site visit in August. Mr. Kling asked the Commission to confirm whether or not the visit should remain on the calendar in the event Ms. Stevens’ replacement is not in place by the time of the scheduled visit. It was decided to keep the site visit on the schedule. Ms. Hubbard asked for confirmation that there will remain a local presence in Louisiana who manages the Plan per the contract. Ms. Daubenspeck explained that in the interim, there will be a “SWAT” force in place who will manage the Plan using the information/calendar of events provided by Ms. Stevens. Contract requirements will be reviewed prior to selecting a replacement. The position

Minutes
Louisiana Deferred Compensation Meeting
June 18, 2019
Page 7 of 7

of “State Director” has become a two person job and will probably be restructured based on operational, relational and staffing needs.

Adjournment

With there being no further items of business to come before the Commission, Chairman Kling declared the meeting adjourned at 11:10 a.m.

Laney Sanders, Secretary