

MINUTES
Louisiana Deferred Compensation Commission Meeting
January 11, 2022

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, January 11, 2022 in the office of the Plan Administrator, 9100 Bluebonnet Centre Blvd., Suite 203, Baton Rouge, LA 70809, at 10:00 a.m.

Members Present

Whit Kling, Chairman, Participant Member
Virginia Burton, Vice Chairman, Participant Member
Stewart Guerin, Designee of the Commissioner of Insurance-*via video conference*
Andrea Hubbard, Co-Designee of the Commissioner of Administration-*via video conference*
Scott Jolly, Co-Designee of Commissioner of Financial Institution
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-*via video conference*
Marybeth Daubenspeck, Vice President, Government Markets, Empower, Denver-*via video conference*
Lisa Tyley, Black Rock – *via video conference*
Nick Sarkos, Black Rock – *via video conference*
Ashwini Apte, Black Rock – *via video conference*
Joseph Szalay, Black Rock – *via video conference*
Karen Scott, Sr Client Services Manager, Empower, Denver – *via video conference*
Craig Cassagne, State of Louisiana Attorney General’s Office, Baton Rouge
Brett Robinson, State of Louisiana Attorney General’s Office, Baton Rouge
Shannon Dyse, Relationship Manger, Empower, Baton Rouge
Rich Massingill, Manager, Participant Engagement, Empower, Baton Rouge
Jo Ann Carrigan, Sr. Field Administrative Support, Empower, Baton Rouge

Call to Order

Mr. Kling called the meeting to order at 10:00 a.m. Ms. Carrigan called roll of Commission members who attended the meeting. Commission members attending the meeting virtually were Andrea Hubbard, Laney Sanders and Stewart Guerin.

Mr. Kling, based on public meeting rules, clarified that Commission members attending the meeting virtually could be recognized as “in attendance” but could not be counted for purposes of

a quorum. Mr. Kling also stated that those members may participate in the meeting, but they could not vote on any issue as the Commission Meeting notice was posted as an in-person meeting. Mr. Cassagne confirmed that meetings must be in the form of either all virtual or all in person. Hybrid meetings are not allowed. To prevent a lack of quorum, Laney Sanders left virtual attendance and traveled to the office of the Plan Administrator. Mr. Kling stated that the January Commission Meeting will take place, but no action will be taken except that which pertains to immediate action needed once a quorum was reached.

Public Comments

Mr. Kling stated that the meeting is accessible to the public and invited anyone who had joined the video conference to participate in the call. There were no public comments.

Approval of Commission Meeting Minutes of December 14, 2021

The minutes of the December 14, 2021 Commission Meeting were reviewed. One correction was made to the minutes prior to the meeting regarding reference to Ms. Hubbard attending the December meeting virtually. Ms. Hubbard attended the meeting in-person. The meeting minutes will be reviewed for approval when a quorum is available.

Black Rock Life Cycle Funds Update

Mr. DiGirolamo stated that there are changes to the Life Path Funds within the Plan specifically as it relates to the Fixed Income section. Mr. DiGirolamo introduced members of Black Rock who would be presenting an explanation of the changes. Ms. Tyley thanked the Commission for allowing the team to present at the meeting and for the Commission's partnership. Ms. Apte stated that fixed income research has been done by Black Rock within the Life Path Funds. Underpinning everything that is done in the research-oriented approach is innovation. When evaluating fixed income in a target date series, it is important to determine whether the underlying funds' profile aligns with fixed income's intended role within the target date. Life Path uses the Barclays Aggregate which has served Life Path participants and investors very well offering interest rate exposure, diversification, balance of equities and credit exposure with return. Ms. Apte stated that by disaggregating the Barclays Aggregate, it will allow Black Rock to deliver better outcomes including more consistent spending for participants and more downside protection through retirement. Mr. Szalay stated that Life Path is the largest franchise within Black Rock. Life Path is offered in nine different countries and at a franchise level has assets of over \$400 Billion in Target Date money. Mr. Szalay explained that Black Rock has a life cycle approach to investing referred to as a life-time asset allocation. The starting point is the amount of risk someone should be taking depending on where they are in their career. Mr. Szalay reviewed a career glidepath noting that when someone is young, 99% of the allocation is in stocks and stock-like asset classes. As the person ages, there is an increase in bond allocations with a decrease of allocations in stocks. Because more risk is taken at a younger age, less equity risk is taken on toward the last five years of employment prior to retirement – landing at 40%. In retirement, stable allocation provides for the most stable spending. The overall objective is to give people more money at retirement which will allow them to spend off in a stable way. Mr. Szalay reviewed the types of stocks/bonds to be used with asset classes over time. Black Rock uses seven different index funds to match the money

and create diversification. When younger, the focus is on the asset classes that provide growth. When approaching retirement, bond allocations will increase. Currently, Life Path uses two indexes: Full Tips Curve (bonds that are tied to inflation) and the Barclay's Aggregate Index (all investment grade bonds). The last type of asset class used is Real Assets which are assets that are tied to inflation such as commodities, real estate, and inflation-linked bonds.

Mr. Kling asked that Mr. Szalay's presentation be temporarily placed on hold as Ms. Sanders arrived at the meeting so that business could be conducted. Once Ms. Sanders arrived at the office of the Plan Administrator, four members were present. Thus, there was a quorum of Commission members physically present at the meeting.

Election Procedure

Ms. Carrigan shared the proposed election letter that will be sent on January 12, 2022 to all payroll departments within the State. The letter includes the nomination of Whitman Kling Jr. for re-election to the participant member seat that begins on July 1, 2022. The letter also includes a "Petition for Nomination of Participant-Member" for those qualified candidates wishing to run for election of the participant-member seat. Ms. Carrigan also presented the Duplantier, Hrapmann, Hogan & Maher, LLP proposal for election ballot services. The proposal included a fee of \$95 per hour. The two previous year fee was \$85 per hour. Ms. Carrigan stated that the firm has been excellent to work with over the years especially in terms of responding to any questions/concerns that may arise. Mr. Kling stated that the letter and petition are not action items but are included for informational purposes. The Duplantier, Hrapmann, Hogan & Maher proposal would require approval by the Commission. Ms. Burton motioned to accept the Duplantier, Hrapmann, Hogan & Maher proposal. Ms. Sanders seconded the motion. There was no objection and the motion passed unanimously.

Approval of Commission Meeting Minutes of December 14, 2021

Ms. Burton motioned to accept the minutes of the December 14, 2021 Commission Meeting with the corrected item noted. Mr. Jolly seconded the motion of accepting the minutes as amended. There was no discussion and the motion passed unanimously.

Ms. Sanders left the meeting to return to virtual attendance after having voted on the two items noted above.

Black Rock Life Cycle Funds Update-Continued

Mr. Szalay presented information on how Black Rock is expanding bond exposure to create more precision in asset allocations. Mr. Szalay reviewed the evolution of Life Path research that included 27 years of research-driven enhancements within the glidepath methodology. The objective is to apply the model evolution to fixed income asset class by focusing not just on how much total fixed income to own but what types of fixed income should be owned depending on where the person is in his/her career. The primary objective of the fixed income allocation is an offset to stock/equity risk. The bonds to be used must have a high-quality nature and help diversify or offset the risks coming from stocks. The most direct way to get the exposure is through high quality fixed income bonds like government or treasuries that are held within the Bloomberg Index.

The other thing to look for within fixed income in return. By taking on things like credit risk or using bonds as corporate entities, more return can be generated through fixed income. The Life Path approach will no longer allocate to that one index. Instead, Life Paths will be allocated to five fixed income indexes: Long credit, Intermediate credit, Securitized, Long Government and Intermediate Government. This will allow more control over that rate and credited score over a lifetime. The life cycle model blends real-world data (income date, mortality expectations and Capital Market assumptions) with investor preferences. The life cycle model will evolve to incorporate rate and credit exposure over a lifetime. The model suggests increasing credit exposure when young (more growth), then reducing credit exposure near and through retirement (more protection/less volatility). The model suggests increasing rate exposure and gradually reducing the exposure toward retirement as the overall bond allocation increases which will allow for more stable spending at retirement. Disaggregating fixed income exposure allows Black Rock to weight sectors according to participant objectives at different ages rather than index weights. This may increase precision and improve outcomes over a lifetime. Increased precision allows Black Rock to construct more efficient portfolios. Using the disaggregate fixed income exposure approach, research shows that participants have more wealth at retirement 82% of the time. Mr. Szalay concluded by stating that there are no changes to Black Rock's approach, no changes to cost structure and account balances can be increased by 1%-2% in a very consistent way. Mr. DiGirolamo reiterated that there will be no change in cost structure meaning that the expense ratio for each of the funds will remain the same. The changes presented will take approximately one month to complete and will be done within a quarter to avoid any issues with client reporting. The anticipation is that this will be completed by June 30, 2022.

Administrator's Report

Plan Update as of December 31, 2021: Mr. Dyse reviewed the Plan Update as of December 31, 2021. Assets as of December 31, 2021: \$2,286.73 Billion; Asset Change YTD: \$205.01 Million; Contributions YTD: \$110.40 Million reflecting a 9.85% increase year-over-year; Distributions YTD: \$152.73 Million. Net Investment Difference YTD: \$247.34 Million.

UPA – December 2021: Mr. Dyse reviewed the UPA report for the month of December 2021. Additions included gains on contribution corrections and interest for the month of December. Deductions included Tarca & Associates, NAGDCA and the State of LA Division of Administration. The closing balance as of December 31, 2021 was \$1,088,144.16.

UEW Report – December 2021: Mr. Dyse presented the UEW Report for the month of December, 2021. Twelve requests were submitted, and no requests were denied.

Securities Sold-November 2021

Mr. Dyse reviewed the securities sold during the month of November 2021.

The New Empower Web Experience

Mr. Dyse presented the New Empower Experience by stating that now, more than ever, people are needing help managing their finances. They are expecting their employers and plan sponsors to

support them in that task. The New Empower Web Experience adds a new dimension to boost financial confidence of participants. This new web experience will be rolled out for the LA Deferred Comp Plan in March of this year. Mr. Dyse cited an EBRI Retirement confidence Survey conducted in April of 2020 noting that 80% of people want help in managing their financial priorities. The New Empower Web Experience offers a three-dimensional savings experience that takes into consideration: Current savings, projected monthly retirement income and savings, spending and debt (net worth). The experience is anchored by sophisticated technology paired with personalized, one-on-one advice by professional advisors and is designed to motivate action. The web experience is unique for each individual and is based on the information that the individual provides. Personalized 1:1 messaging is a part of the experience focusing on basic financial wellness. The Commission previously opted not to accept “Personalized Participant Communications” (automated message engine) because there were messages around managed accounts that were not clear or did not include enough detail. At that time, it was an all-or-nothing proposition. The 1:1 messaging offered through the New Empower Web Experience, will allow sponsors the option of choosing the automated messages that will be sent to participants. The topics of the automated messages will be shared with the Commission during the February meeting. Mr. Kling asked if the New Empower Experience is a new service or a hybrid of the existing service. Mr. Dyse explained that the New Empower Experience is an upgrade or replacement of the current web experience. Mr. Kling asked if participants will be able to link outside accounts. Mr. Dyse stated that linking of accounts is an add-on/improvement to what is currently available. Linking accounts, however, is entirely optional. Mr. Dyse shared that Empower is moving as a firm toward the notion of total financial wellness. Retirement Plan Advisors routinely ask participants to share more of their total financial picture so that more complete advice can be given. Mr. Kling asked for clarification on how the managed account component factors into an RPA review. Mr. Dyse explained that there is no change as it relates to managed accounts except that the conversation will become more robust to include all factors contributing to the participant’s financial position. Mr. Dyse stated that Empower uses a specific company as the aggregator and they can pull in just about any financial account. The more information the participant gives, the more Empower can guide and advise. Currently, the Lifetime Income Score is based primarily on the Deferred Compensation balance. The New Empower Web Experience will allow the participant to bring into consideration all sources of income resulting in a more realistic Lifetime Income Score. By linking accounts, individuals can see a three-dimensional view of their estimated retirement income, current net worth, savings, spending and debt. Participant feedback indicated that it would not be an issue if their negative net worth was a negative figure. In fact, the participant began to understand what net worth meant, what assets and liabilities impacted their net worth and lastly, how to increase their net worth going forward. Each person is provided with a “next step” guide based on the individual information provided. Intuitive tiles will help simplify budgeting, cash flow and debt paydown. Mr. Kling asked if there are statements related to liability on the site. Mr. Dyse confirmed that liability statements are included on the site. Mr. Dyse will demonstrate the features of the New Empower Experience at the February meeting.

Engagement Activity Report – December 31, 2021

Mr. Massingill presented highlights of the Employer Engagement – Plan Adoption and Deconversions including the names and dates of new agencies joining the Plan. Mr. Massingill

shared that he will attend the Florida Parish Juvenile Detention Center Board Meeting in late January. Mr. Massingill listed several potential and in-progress Plan adoptions. Meetings continue with sheriff offices throughout the State. Total RPA meetings in 2021 totaled 4,530. Mr. Massingill added a new slide to his monthly presentation that includes investment strategies of participants. The bulk of participants are in the “DIY” category. Approximately 22% of participants are in Managed Accounts. The LA Deferred Comp RPA Net Promoter Score based on 333 respondents was 75 as of 12/31/2021. Mr. Massingill confirmed that he will be presenting the Engagement Activity Report monthly to the Commission.

Mr. Kling deferred Item 11, Management Structure of the Baton Rouge office until the February meeting.

Other Business

Mr. Kling reported that a contract amendment was completed and submitted as instructed by the Legislative Auditor. The amendment is designed to limit third party liability. There is no additional cost related to the amendment.

Mr. Dyse provided responses to follow-up issues from previous meetings:

- The Commission asked if it would be possible to adjust the threshold figure related to when a participant is directed to call RSG to discuss distribution options. Mr. Dyse stated that he is still awaiting a response on this issue.
- The Commission asked Mr. Dyse to review the most recent RFP for any language related to specific tasks/services. Mr. Dyse did not find any language to that effect but promised to continue to support in the manner that Empower has always done so. Mr. Kling stated that it would be better to have specifics in the next RFP rather than a gentleman’s agreement related to tasks and services.
- The Commission asked if the DOL policy related to notification of electronic statements be added to the upcoming newsletter. Mr. Dyse reported that the deadline for newsletter articles has already passed so it will appear in a next year’s newsletter. The information can immediately be added to the website.
- The Commission asked for a participant survey. Mr. Dyse stated that the survey is being developed and will be available some time during the second quarter of this year.

Ms. Burton asked for a differentiation between the automation being proposed for the older segment of participant population. Ms. Burton asked that senior citizens not be forgotten.

Mr. Dyse reported that Darren Crawford and Lakeisha Rose have accepted different roles within Empower and will be leaving the Plan Administrator’s office. Mr. Dyse stated that this will provide an opportunity to hire a licensed RPA for the office. The transition of Darren and Lakeisha will be some time in the first or second week of February.

Adjournment

With there being no further items of business to come before the Commission, Chairman Kling declared the meeting adjourned at 11:38 a.m.

Laney Sanders, Secretary