

## MINUTES

### Louisiana Deferred Compensation Commission Meeting

October 16, 2018

The monthly meeting of the Louisiana Deferred Compensation Commission was held on Tuesday, October 16, 2018 in the offices of the Plan Administrator, 9100 Bluebonnet Centre Blvd., Suite 203, Baton Rouge, Louisiana, 70809.

#### **Members Present**

Whit Kling, Vice-Chairman, Participant Member  
Virginia Burton, Secretary, Participant Member  
Andrea Hubbard, Co-Designee of the Commissioner of Administrator  
Len Riviere, Co-Designee of Commissioner of Financial Institution  
James Mack, Designee of the LA State Treasurer

#### **Members Not Present**

Emery Bares, Chairman, Designee of the Commissioner of Insurance  
Kevin Pearson, Designee of the Speaker of the LA House of Representatives  
Laney Sanders, Participant Member

#### **Others Present**

David Lindberg, Managing Director, Wilshire Consulting *via Conference Call*  
Margaret Corley, Senate Committee on Retirement  
John Morris, State of Louisiana Attorney General's Office  
Marybeth Daubenspeck, Vice President, Government Markets, Empower Retirement *via Conference Call*  
Jennifer Bailey, Lead Strategist-Participant Communication-Government Markets *via Conference Call*  
Carla Roberts, employee of the Louisiana State Senate  
Connie Stevens, State Director, Baton Rouge, Empower Retirement  
Jo Ann Carrigan, Sr. Field Administrative Support, Baton Rouge, Empower Retirement

#### **Call to Order**

Vice Chairman Kling called the meeting to order at 10:01 a.m. Roll call was taken by Jo Ann Carrigan.

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

#### **Approval of Commission Meeting Minutes of August 21, 2018**

The minutes of the August 21, 2018 Commission Meeting were reviewed. Ms. Burton motioned for the acceptance of the August 21, 2018 minutes. Ms. Hubbard seconded the motion. The Commission unanimously approved the minutes.

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#### **Acceptance of the Hardship Committee Report of September 6 and October 11, 2018**

The Hardship Committee Reports of September 6 and October 11, 2018 were reviewed. Ms. Hubbard motioned for acceptance of the Hardship Committee Reports of September 6 and October 11, 2018. Mr. Riviere seconded the motion. The Commission unanimously approved the reports.

#### **Investment Performance and Capital Markets**

Mr. Lindberg reviewed the Wilshire Associates State of Louisiana Deferred Compensation “Investment Performance Flash Report” as of September 30, 2018 with the Commission. Mr. Lindberg stated that the report did not include mutual funds universe rankings as they were not available at the time of the report but will be available at the December, 2018 Commission Retreat. The US stock market was up 7.3% for the third quarter of 2018. Economic data continues to be strong including the largest increase in real GDP in four years at 4.2%. Mr. Lindberg pointed out that year-to-date figures will not be as strong due to the recent market reversal where US Equities lost nearly 4%. Non-US Markets produced mixed results and trailed the US equity market. The U.S. Treasury yield curve rose across all maturities and the bellwether 10-year Treasury yield ended the quarter at 3.05%.

Ms. Burton inquired as to when the Wilshire Associates would be reviewing the fund lineup in reference to Mr. Mack’s questions from a previous meeting. Mr. Kling noted that since three members of the Commission were missing at this particular meeting, the topic of the fund lineup would be addressed at the December, 2018 meeting.

#### **Administrator’s Report**

**Plan Update as of September, 2018:** Ms. Stevens presented the Plan Update as of August 31, 2018 and September 30, 2018. Assets as of September 30, 2018: \$1,738.25; Billion; Asset Change YTD: \$56.06 Million; Contributions YTD: \$73.37 Million; Distributions YTD: \$91.43 Million. Net Investment Difference YTD: \$74.12 Million. Ms. Stevens announced the receipt of notifications from two political subdivisions that will be leaving the Plan effective November 5, 2018: Jefferson Davis Parish Sheriff’s Office and St. Tammany Fire Protection District #13. Statistics will be presented after the agencies leave the Plan. Preliminary enrollment statistics indicate a significant increase probably as a result of the Jay Dardenne memorandum that was sent to all State employees in the summer.

**UPA-August and September, 2018:** Ms. Stevens reviewed the UPA for the months August and September, 2018. The UPA balance as of August 31, 2018 was \$1,840,987.55. Activity included interest added and deductions of payments to Great West Financial and Wilshire Associates. The UPA balance as of September 30, 2018 was \$1,844,505.65. Activity included

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interest added. There were no deductions in September. Mr. Kling reminded the Commission that the UPA account will be a topic of discussion in December to include any fee structure adjustments that may be needed. Mr. Mack asked for a report of all agencies that have left the Plan along with all relevant data. Ms. Stevens stated that she would provide this information at the next meeting.

**Personalized Participant Communications**

The Personalized Participant Communications campaign was presented in concept in January, 2018. It is an email campaign to participants designed to address issues related to each participant's unique situation. Ms. Bailey presented the Personalized Participant Communications strategy to the Commission in April, 2018 and the campaign went "live" on July 25, 2018.

Ms. Bailey reviewed the campaign noting that the emails that are sent are automated, personalized communications. It is all based on what the participant needs to hear "next" so that they may be ready for retirement. Ms. Bailey reviewed samples of emails that are being sent. Mr. Riviere noted that he had previously voiced concern related to how close the emails were coming to providing investment advice. If the emails were originating from the Advised Asset Group, this would be fine as representatives of the Advised Asset Group are investment advisors. Ms. Stevens showed examples of two of the emails with relevant investment topics. Mr. Kling pointed out that each of the emails noted by Ms. Stevens include a footnote that "My Total Retirement" (previously known as Managed Accounts) is offered by Advised Assets Group, LLC, as a registered investment advisor. Mr. Kling suggested that this statement be placed within the text of the email in a more prominent location. Ms. Daubenspeck noted that all personalized communications have been specifically designed to not cross that line into "advice" and have been extensively reviewed with compliance. Each email is designed to highlight a Plan feature that is available to participants that includes an AAG telephone number so that participants may call to get more specific information. Mr. Kling indicated that this is a perception issue and recommended that AAG be highlighted in greater detail in the text of the email. Mr. Riviere concurred with Mr. Kling noting that his concern is that the participant may not understand who they are dealing with in this capacity. Ms. Daubenspeck agreed to review these comments with the Empower Retirement marketing team noting, however, that the letters are programmed into the system and changes to the existing letter would require additional programming. Mr. Mack noted that the emails are designed to elude to the participant that this is one entity and doesn't point to a third party that offers investment advice. Further, Mr. Mack noted that the emails don't present "My Total Retirement" as an optional service that has associated fees. Ms. Daubenspeck stated that feedback from the Commission would be presented to the Marketing Team's Review Committee. Results of the review will be presented to the Commission once available—preferably before the December meeting.

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**Audit Update**

The final audit dated October 2, 2018 from J. Aaron Cooper, CPA, LLC was discussed. The initial audit was revised based on the research and corrections noted by the Commission's Audit Sub-Committee. The final audit with cover letter will be posted to the participant website under "Commission Records". Both the initial and final audit will appear on the Louisiana Legislative Auditor's website. The final audit (page 18) indicates that there were no material weaknesses or significant deficiencies identified. Mr. Cooper's cover letter addressed to the LA Legislative Auditor states: "The revised financial statements were adjusted to remove defaulted loans from participant loans. Additionally, I changed the characterization of the prior period adjustment related to including participant loans as an asset of the plan from a change due to error to a change in accounting principle. As such, the finding on the original submission did not apply and was removed from the revised report." The Commission's Audit Sub-Committee worked extensively with Mr. Cooper and is confident in his abilities going forward. There is a work plan established for next year that includes the necessity of receiving a copy of the audit in a more timely manner than in 2018.

**Adjournment**

With there being no further items of business to come before the Commission, Vice Chairman Kling declared the meeting adjourned at 11:06 a.m.

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Virginia Burton, Secretary