



Brian Sandoval, *Governor*

COMMITTEE
Karen Oliver, *Chair, GCB*
Brian L. Davie, *Vice Chair, LCB*
Vacant, Retired
Scott Sisco, *NDOC*
Steve C. Woodbury, *GOED*

STAFF
Rob Boehmer, *Program Coordinator*
Micah Salerno, *Administrative Assistant*

Shane Chesney, *Senior Deputy Attorney General*

DEFERRED COMPENSATION COMMITTEE QUARTERLY MEETING MINUTES

May 21, 2015

The quarterly meeting of the Deferred Compensation Committee was held on Thursday May 21, 2015, at 9:00 a.m. in the Mock Courtroom of the Office of the Attorney General, 100 N. Carson Street, Carson City, Nevada. Attendees participated in person or by conference call.

A copy of meeting material including this set of meeting minutes, the agenda, the audio recording and other supporting material, is available on the Nevada Deferred Compensation (NDC) website at: <http://defcomp.nv.gov/Meetings/2015>.

COMMITTEE MEMBERS

Scott Sisco
Steve Woodbury
Brian Davie, *Vice Chair*
Karen Oliver, *Chair*

OTHERS PRESENT

Jim Barnes, *Zeh Law*
Bishop Bastien, *Voya*
Darlene Baughn, *Admin Services*
Rob Boehmer, *NDC Program Coordinator*
Shane Chesney, *Sr. Deputy Attorney General*
Kent Ervin, *Participant*
Shelley Fredrick, *Voya*

Kelli Lay, *Admin Services*
Dianna Patane, *Voya*
Frank Picarelli, *Segal Rogerscasey*
Steve Platt, *Voya*
Carlos Romo, *Retiree (by phone)*
Micah Salerno, *NDC Admin. Assistant*

1. Call to Order/Roll Call

Chair Karen Oliver called the quarterly meeting of the Nevada Deferred Compensation (NDC) Committee to order at 9:17 a.m. on Thursday, May 21, 2015. Mr. Rob Boehmer took roll, determined a quorum was present, and noted that Mr. Sisco was absent. He also confirmed the meeting was properly noticed.

Chair Oliver stated that Mr. Sisco was excused because he had business at the Legislature, but might arrive late. She asked if there were any objections to defer items 5, 9, 10, and 12 until later in the meeting on Mr. Sisco's request. Chair Oliver recognized those who participated by telephone.

2. Public Comment

Dr. Carlos Romo, former NDC Committee member, in reference to item 9 commented that when the loan provision went into effect there should be education for participants to only use the loans for emergency needs. It could cause leakage of plan assets if not monitored closely.

Dr. Kent Ervin, participant, believed the transition went well. He was glad to see the administrative assistant position was included in the budget and felt it was important to retain and appropriately pay highly qualified staff. Interesting to see the NSHE assets broken out (\$44 million) and commented that it was only 6% of the NDC assets, but NDC competed with the 403b option which had been offered since 1970 and had \$350 million invested. Dr. Ervin also remarked on the fee issues and did not feel it was equitable to the whole plan because all participants should be paying their fair share. He encouraged the Committee to look at fee leveling in the future.

3. For Possible Action – Approval of Committee meeting minutes from meeting of December 29, 2014; January 21, 2015; February 18, 2015.

No comments or changes on the minutes.

Motion by Vice Chair Davie to approve the minutes, second by Mr. Woodbury. Motion passed unanimously, 3-0.

4. For Possible Action – Receive, discuss, and approve Program Coordinator’s Report of first quarter 2015, and discuss any action to be taken regarding program revenue reconciled from past Recordkeeper contract(s). (Supporting Material pp. 21-53)

Mr. Boehmer presented his report covering recordkeeper reconciliation for the previous contracts with MassMutual and Voya, budget overview, and first quarter revenue from Voya. The excess revenue that could be returned to participants was estimated at \$255,942. The plan was to have a 120 day reserve in the budget since the recordkeeper billing is done in arrears. There would be one more billing to Voya for FY15 for \$60,000-\$70,000. The Committee could consider taking action to refund the excess revenue back to participants.

Mr. Picarelli stated the \$255,000 was a reconciliation of the previous contract, and the goal now was to take in the least amount needed so there wouldn’t be a buildup of excess revenue. They would monitor the revenue sharing to ensure they were as close as possible. He noted they should have a discussion for fee leveling to have equitable fee distribution which was how the industry was moving.

Mr. Sisco joined the meeting at 9:30 a.m.

Ms. Darlene Baughn with Administrative Services Division reviewed the budget spreadsheet.

Mr. Sisco was concerned with the AG allocation number for FY16 because it went up significantly so they needed to stop using their service for so many documented reviews and get that number back down.

DAG Chesney did not know how the AG’s office billed for his service.

Mr. Boehmer commented on the Administrative position was approved for ¾ FTE as part of the budget. Ms. Easton with HR Administration would assist as part of the recruitment and hiring.

Vice Chair Davie asked why the budget stayed at the higher level for the Program Coordinator position.

Mr. Sisco stated the Committee agreed to leave it at the higher lever for one biennium to verify the Program Coordinator level worked for them and then they would lower it if the staff position was appropriate.

Mr. Boehmer continued his report with comments on the Alliance Partners and the FICA transition for City of Sparks participants.

Mr. Sisco inquired as to why they transferred the FICA assets without an agreement in place. He asked if they really wanted to add more Alliance Partners because they were costing the plan money.

Mr. Boehmer remarked that City of Sparks thought their FICA was covered under the regular Interlocal contract.

Mr. Woodbury suggested they come up with a criteria to determine if it was worthwhile to add new Alliance Partners.

Mr. Boehmer discussed the next portion of his report commenting on the newsletter, marketing, website, and a potential copyright issue with the new NDC tagline.

Mr. Bastien stated that a competitor used "To and Through Retirement" which was copyrighted. There was also a copyright on "Your Journey" but that was not as much of an issue. NDC could continue to use the new tagline but could possibly get a cease and desist letter at some future point. He recommended using the tagline for the immediate future and discuss changing to a different line.

Mr. Boehmer stated they would remove the tagline until they knew more.

DAG Chesney remarked that the two separate phrases were copyrighted but not the whole phrase and proposed copyrighting the whole phrase with both components. He recommended continuing with the current phrase and if a copyright was not available to address it from there.

Mr. Boehmer wrapped up his report commenting on the new retiree website that would launch in June and gave an update on the e-learning webinars.

Vice Chair Davie inquired as to what they should do about the reimbursement of excess revenue.

Mr. Boehmer remarked that the Committee would need to decide on what to do with the excess revenue and instruct Voya how to distribute the funds to participants.

Mr. Sisco wanted to see the final budget numbers updated at the next meeting.

The Committee, Mr. Bastien, and Mr. Picarelli discussed the reimbursement options considering refunding participants or utilizing a temporary "fee-holiday".

Mr. Bastien believed it would be good to wait until August to review the final numbers so Voya would have a full-quarter of data to analyze the revenue and fees on the fund line-up.

Motion by Mr. Sisco to table the decision on distribution of surplus funds until the August 2015 meeting and then look at the feasibility of holding the surplus and having a fee-holiday. Second by Mr. Woodbury, vote passed unanimously, 4-0.

Motion by Mr. Sisco to accept the Program Coordinators report, second by Vice Chair Davie. Motion carried unanimously, 4-0.

Chair Oliver noted they would continue with the original order of the agenda.

5. For Possible Action – Review, discuss, and approve Program Coordinator Performance evaluations and any potential or proposed salary increase. ([Supporting Material, pp. 18-45](#))
Mr. Boehmer referred to the NDC Administrative Manual, section 7.3, which stated “The Committee will conduct a performance review annually at the scheduled meeting closest to the hiring anniversary date of the Program Coordinator. The Committee will also review and approve any potential compensation changes based on current level as well as legislative action as it relates to all state employees.”

Chair Oliver invited discussion on the Committee evaluations.

While several members commented that the format of the evaluation form needed improvement, the majority thought it covered the necessary points to be evaluated including accomplishments and improvements. They felt it was a meaningful exercise and hoped it gave Mr. Boehmer direction and feedback. Since there were no requirements in statute or regulation for an evaluation for unclassified employees, the Committee needed to establish the process and set performance standards.

Based on Mr. Boehmer’s performance and institutional knowledge, Chair Oliver suggested providing a pay increase and Mr. Woodbury agreed.

Mr. Sisco struggled with the evaluation form as there were no standards to evaluate. They should provide copies of the evaluations for his employee record.

Mr. Woodbury suggested going to an equivalent pay of a grade 35, step 8 which would leave room for an increase in the future. Vice Chair Davie was in agreement with the proposal based on the quality of Mr. Boehmer’s work.

Mr. Sisco would not support that increase because anything beyond that suggested that Mr. Boehmer had mastered the job. He proposed doing a grade 35, step 7.

Motion by Mr. Woodbury to increase Mr. Boehmer’s pay to the equivalent of a grade 35, step 8. Motion seconded by Vice Chair Davie, vote carried 3-1 with Mr. Sisco voting against.

6. For Possible Action – Receive and approve Investment Consultant’s review of first quarter report from Recordkeeper, performance of investment options, and review of the NDC Investment Policy Statement. ([Segal 1Q15 Report](#))
Mr. Picarelli presented his quarterly report for the first quarter (1Q) of 2015 commenting on financial market conditions from pages 1-19. Page 21 showed the executive summary for 1Q ending March 31, 2015 showing the NDC Plan assets totaled \$693.3 million which was an increase of \$5.3 million or 1.0%. The total assets did not include the FICA assets which were approximately \$30 million but he would work on including that in the future.

Mr. Picarelli covered the revenue sharing analysis on page 29 and commented that more plans are moving to fee levelization which is something they should discuss. He also recommended adding the General Account chart from page 42 to the Investment Policy Statement.

Motion by Mr. Sisco to accept the Analysis of Investment quarterly report, second by Vice Chair Davie. Motion carried unanimously, 4-0.

7. For Possible Action – Receive and approve the Investment Consultant’s Fund Watch list for the first quarter ending March 31, 2015. ([Watch List](#))

Mr. Picarelli explained there was only one fund on the watch list due to underperformance of the benchmark and median over the 5-year period. He also noted they would be watching the Goldman Sachs fund.

| FUND | RECOMMENDATION |
|---------------------------------------|-----------------|
| American Funds Growth Fund of America | Remain on Watch |

Motion by Mr. Sisco to accept the Watch List and seconded by Mr. Woodbury. Motion passed unanimously, 4-0.

Mr. Picarelli addressed the policy statement noting that a well-defined statement identified the responsibilities of the parties and described asset classes. ([Supporting Material pp 205-281](#))

The Committee discussed the content and options of changing the current policy statement. They agreed that the information about the General Account should be added but felt the rest of it was acceptable as it was written.

Mr. Picarelli confirmed he would review the policy statement and include an update with information from the General Account and bring a draft to the August meeting.

8. For Possible Action – Receive and approve plan activity and administrative update from Voya Financial for first quarter ending March 31, 2015, receive Recordkeeper Transition update, and receive update on NDC program rebranding and marketing. ([Supporting Material pp 282-293](#))

Ms. Patane highlighted a few items from the Voya Quarterly Review noting the increase in number of contributions and enrollment compared to first quarter 2014.

Ms. Frederick remarked that Voya had a slight uptake in their financial rating and they were now a fully owned U.S. company. She commented on the new CEO of Retirement for Voya, Charlie Nelson, and that he was willing to attend a future meeting to meet the Committee.

Mr. Bastien provided an update on beneficiary information explaining they would continue to make it a priority to obtain that data.

Mr. Boehmer noted that he would speak with Ms. Leeann Easton to request having the beneficiary form be a mandatory part of the new hire packet for FICA employees.

Mr. Sisco wanted to continue receiving the beneficiary report.

Motion by Mr. Woodbury to accept the Voya quarterly report. Second by Vice Chair Davie, the motion carried unanimously, 4-0.

9. For Possible Action – Receive and approve the proposed amended NDC Plan Document to include amended language recommendations by Melanie Walker of Segal Rogerscasey, DAG Shane Chesney, Voya Financial, and the NDC Committee, and adding the proposed Loan Provision language.

Mr. Boehmer explained that a lot of clean up was done to the document based on input from the Committee and DAG Chesney.

Mr. Woodbury noted there were some areas of editing that needed to be corrected.

Mr. Boehmer asked that any final edits or corrections be emailed to him and he would make final changes. Mr. Woodbury stated that he would email Mr. Boehmer the minor edits, and Mr. Sisco said that he would review the document one more time and forward any further changes to Mr. Woodbury.

Motion by Mr. Woodbury to accept the Plan Document with minor edits, second by Vice Chair Davie. Motion carried unanimously, 4-0.

10. For Possible Action – Receive and discuss Small Inactive Account report and the NDC contracted Investment Consultant recommended plan of action to automatically distribute accounts that meet the following criteria as outlined in both the NDC voluntary 457b Plan Document and the NDC FICA Alternative 457b Plan Document.

Mr. Boehmer explained the breakdown of categories for the small, inactive accounts.

Discussion ensued on the best way to clean up these accounts and how it would be communicated to the participants. The inactive accounts were a drag on the Plan and it was standard procedure in the business to clean-up these types of accounts. They should revisit this item every year to keep these account in check.

- a. **Voluntary 457b: Section 7.2(a)**- If a participant's account (i)Does not exceed \$1000; and (ii)Participant has separated from service, but not elected a distribution; and (iii)There has been no Amount Deferred or Contributed by such Participant. The participant may be automatically cashed out.

Motion by Mr. Sisco to approve distribution of the inactive accounts for State, NSHE, and Alliance Partners under \$1,000 with a termination date. Second by Mr. Davie, motion passed unanimously, 4-0.

- b. **FICA Alternative 457b: Section 7.1**- A Participant with an Account, not including the amount in the Participant's Rollover Accounts, of \$5,000 or less (or such greater amount as may be permitted by Section 401(a)(11) of the Code) may be automatically cashed out without the Participants consent, not to exceed \$5,000, provided that there has been no Amount Deferred by such Participant during the two-year period ending on the date of distribution. This provision became effective in May 2010

Motion by Mr. Sisco to approve distribution of inactive FICA accounts under \$5,000. Motion seconded by Mr. Woodbury and passed unanimously, 4-0.

11. For Possible Action – Review, discuss, and approve revised management response to the “Significant Deficiencies” recommendations listed in the Internal Controls report provided by Clifton, Larson, Allen (CLA); company contracted to perform a bi-annual financial audit of the NDC Program.

Motion by Mr. Woodbury to accept the Management Response letter and file it with the Audit Report. Second by Mr. Sisco, motion carried unanimously, 4-0.

12. For Possible Action – Review, discuss, and potentially approve FICA Alternative Interlocal Agreement request from existing Alliance Partner, Tahoe Douglas Fire Protection District.
Mr. Sisco inquired where they got the authority for the FICA plans. He did not feel comfortable expanding this part of the Program.
DAG Chesney recommended finding out where the authority came from and tabling the item for the next meeting. Discuss at the next meeting on where to go with this.

Mr. Bastien noted that if they went forward with trying to terminate FICA accounts they would need to look and see if it was doable in the Plan contract.

Motion by Mr. Sisco to table the FICA item to find out more information, second by Mr. Woodbury. Motion passed unanimously, 4-0.

13. For Possible Action – Review, discuss, and decide on if the NDC Committee would like to send NDC Representatives to the Institutional Investor Symposium being held in Half Moon Bay, CA September 15-16, 2015, and to the Institutional Investor Summit being held in New York City November 17-19, 2015.

Motion by Mr. Sisco to send Mr. Woodbury and Mr. Sisco to the NAGDCA Conference, Mr. Boehmer and DAG Chesney to the Half Moon Bay Symposium, and Chair Oliver and Mr. Boehmer or a new Committee Member to the New York City Summit. Second by Mr. Woodbury, motion passed unanimously, 4-0.

14. For Possible Action – Establish upcoming meeting dates for the August and November 2015 Quarterly Committee Meetings.

Motion by Mr. Sisco to schedule meetings for Wednesday, August 19, and Monday, November 9 and second by Mr. Woodbury. Motion carried unanimously, 4-0.

Amended motion to schedule meetings for Wednesday, August 19, and Thursday, December 3. Second by Mr. Woodbury, motion carried unanimously, 4-0.

Comments/Updates

15. Committee Members

Chair Oliver asked when the loan provision would be rolled out.

Ms. Bastien noted it would be a soft, quiet roll of near the beginning of June.

16. Investment Consultant

No comments.

17. Recordkeeper

Mr. Bastien stated that was Mr. Platt's last official meeting and thanked him for all he had done for the NDC Plan. He also officially announced Ms. Patane's position as Key Account Manager.

18. Staff Updates

Mr. Boehmer remarked that he successfully completed and passed the Contract Manager's class.

19. Public Comment

Dr. Ervin commented that he was disappointed they did not go forward with the reimbursement because by August it would be a year and a half of holding the funds. He suggested reducing the fee to cover recordkeeper costs and then change to an equal fee for all participants.

20. Adjournment

Motion by Mr. Sisco to adjourn, second by Mr. Woodbury. Motion passed unanimously, 4-0.

The meeting was adjourned at 2:19 p.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant