



Brian Sandoval, Governor

COMMITTEE  
Karen Oliver, Chair, GCB  
Brian L. Davie, Vice Chair, LCB  
Scott Sisco, NDOC  
Mark Stevens, Retired  
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

August 13, 2015

The quarterly meeting of the Deferred Compensation Committee was held on Thursday August 13, 2015, at 9:00 a.m. in room 2135 of the Legislature Building, 401 S. Carson Street, Carson City, Nevada. Attendees participated in person, videoconference, or by teleconference.

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  
Mark Stevens  
Steve Woodbury  
Brian Davie, Vice Chair  
Karen Oliver, Chair

### OTHERS PRESENT

Jim Barnes, Zeh Law	Alex Jones, NSHE
Bishop Bastien, Voya	Michelle Kelley, NSHE
Rob Boehmer, NDC Program Coordinator	Dianna Patane, Voya
Shane Chesney, Sr. Deputy Attorney General	Frank Picarelli, Segal Rogerscasey (by phone)
Kent Ervin, Participant	Micah Salerno, NDC Admin. Assistant
Shelley Fredrick, Voya	

### 1. Call to Order/Roll Call

Chair Karen Oliver called the quarterly meeting of the Nevada Deferred Compensation (NDC) Committee to order at 9:00 a.m. on Thursday, August 13, 2015. Mr. Rob Boehmer took roll, determined a quorum was present, and confirmed the meeting was properly noticed.

Chair Oliver introduced and welcomed Mr. Mark Stevens, the newly appointed Committee member for the retiree position.

### 2. Public Comment

Dr. Kent Ervin, participant, felt that the fee reimbursement was way overdue and should be given back to the participants and suggested considering a better way to do that in the future. Encouraged the Committee to look at fee leveling for all mutual funds since all participants were not paying fees and should be paying their fair share. Commented on how FICA plan expenses were hard on the small accounts and believed they should look into alternatives.

NSHE FICA Alternative Participant Mr. Alexander Jones provided public comment regarding the current fees for FICA accounts. Mr. Jones stated that the current fee structure associated with the State of Nevada's FICA Alternative program had caused his account to lose value every month since Voya had taken over the administration of these accounts. His written comment is provided below.

July 16, 2015

Nevada State Public Employees Deferred Compensation Program  
100 N. Stewart St., Suite 210  
Carson City, NV 89701

Dear Board Members and Plan Participants:

It with the spirit of deep regret and betrayal that I share my story regarding the Nevada Deferred Compensation Plan 457(b) FICA Alternative accounts, which for the last 5 months have been managed in such a way that is to the DIRECT DETRIMENT of plan participants.

I am not alone in my belief that NDC and Voya Financial short-changed public employees of Nevada with the recent change in administration. Plan participants were not solicited for comments regarding the switch to Voya, and the choice of NDC to use a single administrator whose fees which are unreasonable leaves Nevada Public Employees with very limited or no say in the management of their retirement funds. The Retired Public Employees of Nevada and numerous other plan participants voiced numerous legitimate concerns during this switch to Voya and were largely ignored.

I am a Graduate Student at UNLV. During summer and temporary contracts I am bound to participate in these FICA Alternative plans. I had a small account that was opened in 2012 which had slowly been growing. Because I had no need for the small sum, I was content in letting that money sit in a capital preservation fund to grow at a slow rate.

This all changed however in January when I was notified of the switch to Voya Financial. The biggest change that occurred in the switch was a DRASTIC change in the fee structures of these FICA Alternative accounts. Now if the accounts are below a certain value the fees are WELL IN EXCESS of interest accrued, meaning that these accounts are GUARANTEED to lose value. Given that these plans are for temporary employees often on SMALL contracts I HIGHLY DOUBT that I am alone in having an account that since February has served no purpose but a source of income for Voya Financial.

Making matters worse is the claim that because I am still employed by NSHE albeit in a contract NOT bound (or able to contribute) to FICA alternative accounts that I am somehow unable to withdraw money that is now being managed to my direct detriment. This is quite plainly wrong, and potentially illegal. Section 457 of IRS Code (Section which outlines provisions for these accounts) states that these deferred compensation accounts are to be managed SOLELY for the benefit of plan participants. The fact that my account was GUARANTEED to lose value because of excessive fees shows that this has not been happening for some participants since the switch to Voya.

Nevada revised statutes defines theft as when any party "controls the property of another person with the intent to deprive that person of the property". The IRS states that my contributions to

these accounts are 100% owned by the participant e.g. my property. I do believe that the withdrawal of principal from accounts (without consent of participants) below a certain value constitutes THEFT that is committed by Voya Financial and perpetuated by NDC. Especially considering that they have refused to allow me to withdraw this money even though my position is NO longer subject (or able to contribute) to FICA Alt plans.

Finally, I would like to mention my impressions of Voya representatives (which prides itself on “corporate ethics”) and the program Coordinator, Mr. Rob Boehmer. My sole interaction with Mr. Boehmer was him treating me with disdain. The entirety of my conversation with Mr. Boehmer consisted of me trying to explain to him that annual percent yield was the interest rate earned by an account ANNUALLY rather than MONTHLY. How is someone that is tasked with managing state retirement accounts so woefully unqualified that he does not understand the concept of APY? I sincerely wish that time at these previous NDC meetings had been spent trying to help plan participants manage the switch and working to ensure these plans work for everyone, RATHER than spending so much time discussing Mr. Boehmer’s raise.

My interactions with Voya Representatives were similarly abysmal. The first several times I contacted Voya regarding disbursement of the account they did not initiate the disbursement process. I contacted them two times after which they did not contact the appropriate person at NSHE to move forward. Despite them refusing to start the disbursement process they continued to charge these fees.

I request that the NDC Committee immediately vote on a fix that will ensure that participants with plans that are now being managed to their detriment are able to immediately access their funds, or that a change is made in the fee structure of these accounts to ensure that low capital accounts DO NOT bear the heaviest burden of these new fees.

My request is simple. Either manage these funds for MY benefit or disburse the funds to me so that I can manage them myself, as I am no longer in a position that is subject or able to contribute to these plans.

Sincerely,  
Alexander Jones  
Plan participant

3. For Possible Action – Approval of Committee meeting minutes from meeting of May 21, 2015. Vice Chair Davie noted that Dr. Ervin’s name was misspelled on the first page.

**Motion by Vice Chair Davie to approve the minutes with correction of name spelling, second by Chair Oliver. Motion passed unanimously, 5-0.**

4. For Possible Action – Receive, discuss, and approve Program Coordinator’s Report of second quarter 2015, and discuss any action to be taken regarding program revenue reconciled from previous fiscal year and past Recordkeeper contract(s). Voya Financial staff to present NDC Committee with requested information of the potential of executing a “Fee Holiday” in reimbursing any unused revenue back to participants in the future. ([Supporting Material pp. 12-35](#))  
Mr. Boehmer presented his report starting with the budget review.

Mr. Sisco commented that the budget presentation and reports were not meeting their needs since it only included information from Department of Administration. There were no accounting records showing what was actually available after inputting requests and projections along with actual spending. He noted that all bills started at the NDC office and should be accounted for and then it would show what was actually available.

Mr. Boehmer confirmed that staff would work toward that process and reporting.

Mr. Stevens inquired as to why the reserve was set so high.

Mr. Boehmer explained that the NDC budget has a 120 day reserve since the billing to the recordkeeper is done in arrears. With the revenue sharing changes that had recently been made and with a possible decrease of revenue from certain funds in the lineup they should stay close to that 120 day reserve and be able to get by with that amount.

Mr. Sisco explained the process that we went through during the Legislative session to increase the reserve due to it being so low.

Mr. Davie commented that he appreciated the job and all of the time that staff had committed to the budget process.

Mr. Boehmer continued his report speaking about the Internal Audit, attending the HR Personnel Liaison meeting, and briefly spoke about the quarterly newsletter, upcoming Financial Education Days, program marketing. He finished with an update about the NDC website and e-learning information.

Vice Chair Davie asked about the copyright issue on the NDC tagline.

DAG Chesney apologized for not looking into it but would do some research to see if NDC could get a copyright on the whole tagline.

Mr. Sisco stated that he would like to see a recap of the monthly report that Mr. Boehmer sent to Committee in the quarterly report.

Chair Oliver remarked that they needed to discuss the revenue reconciliation.

Mr. Boehmer explained that at the last meeting there was a suggestion for a "fee-holiday" as an option instead of doing a reimbursement. The Committee needed to decide if they wanted to explore that option or just go forward with the reimbursement.

Mr. Sisco asked what the options were and if they could hold on to the funds and use them to waive the FICA fee.

Mr. Bishop Bastien with Voya noted that the voluntary and FICA plans were separate and there was an issue of one plan supporting another. There was no perfect way to refund the money but a few options included the fee holiday option – which would suspend fees charged to accounts for a period of time. This would be difficult since there were varying fees with the different funds in the line-up. The other option was to hold out until the end of the year with the current funds and everything built up until the end of the year. Last, they could do the reimbursement based on 12/31/14 which was closest to the transition date.

Mr. Frank Picarelli, Investment Consultant to NDC, was partial to a simpler refund and liked following the regular course of action as they had done in the past.

**Motion by Mr. Sisco to accept the Program Coordinator report and instruct staff, Voya, and Mr. Picarelli, to put together and redistribute surplus with the first option based on prorating in a scenario where they do not include the funds in the General Account for MassMutual participants. If that is not possible then do the reimbursement across the board, on return surpluses identified based on 12/31/14 accounting of all participants who paid fees at that time. Motion seconded by Mr. Woodbury and passed unanimously, 5-0.**

Mr. Bastien noted that in other plans Voya had set up an administrative account. Once approval from NDC Committee, Staff, and Investment Consultant was received for a refund, those funds would be transferred to that account and then earn interest until they were distributed. If the Committee wanted to set up that type of account they would just need to provide a direction letter to Voya.

Mr. Sisco wanted to have an agenda item at the next meeting regarding the Voya Administrative account. They would also need to add language to the statute about an interest earning account.

5. For Possible Action – Review and discuss Internal Audit findings conducted by the State Division of Internal Audits, and present proposed NDC response to findings. ([Supporting Material, pp. 36-41](#))

Mr. Boehmer gave a brief explanation of the process, findings, and response of the Internal Audit by the Division of Internal Audits.

Mr. Sisco indicated the response should come from Administration because they handle the NDC budget.

The Committee discussed the upcoming job and announcement for the Administrative Assistant position and the classification.

Mr. Sisco and Mr. Woodbury both recommended additional information that should be included the response to the Division of Internal audits.

**Motion by Mr. Sisco to accept the report and authorize staff to work toward a response with additional information. Motion seconded by Vice Chair Davie and carried unanimously, 5-0.**

6. For Possible Action – Receive and approve Investment Consultant’s review of second quarter report from Recordkeeper and performance of investment options. ([Segal 2Q15 Report](#))

Mr. Picarelli presented his quarterly report for the second quarter (2Q) of 2015 commenting on financial market conditions from pages 1-21. Page 23 showed the executive summary for 2Q ending March 31, 2015 showing the NDC Plan assets totaled \$692.0 million which was a decrease of \$1.3 million or -0.2%. The FICA numbers would be included after the cleanup of the small, inactive FICA accounts. The majority of Plan assets were invested in the Stable Value Fund representing \$293.9 million, or 42.5%. The revenue is in compliance with the contract requirement and was on target as of June 30, 2015.

**Motion by Mr. Sisco to accept the Analysis of Investment quarterly report, second by Chair Oliver. Motion carried unanimously, 5-0.**

7. For Possible Action – Receive and approve the Investment Consultant’s Fund Watch list for the second quarter ending June 30, 2015. ([Watch List, pg. 27](#))

Mr. Picarelli explained there was still only one fund on the watch list due to underperformance of the benchmark and median over the 5-year period.

FUND	RECOMMENDATION
American Funds Growth Fund of America	Remain on Watch

**Motion by Mr. Sisco to accept the Watch List and seconded by Vice Chair Davie. Motion passed unanimously, 5-0.**

8. For Possible Action – Receive, review, and discuss proposed amendment to the current NDC Investment Policy Statement- Presented by Frank Picarelli of Segal Rogerscasey.

Frank Picarelli gave a summary of proposed recommendations and revisions to bring the Investment Policy statement adopted by the Plan.

Mr. Sisco commented that on page six of the draft that the proposed wording was not strong enough. Mr. Sisco recommended that it be revised to add, “Recordkeeper/Service Provider will not provide investment advice to participants” at the end of this particular paragraph.

Mr. Woodbury commented that he felt we should help participants to understand that the Recordkeeper is permitted to give investment education with regard to general investment education, diversification, etc.

Mr. Sisco summarized edits that he would like to see initiated to the Investment Policy Statement Draft. Staff documented those corrections, and the Committee engaged in discussion of the revisions.

**Motion by Mr. Woodbury to approve the Investment Policy Statement with changes noted and for staff to proceed and finalize. Second by Chair Oliver, motion carried unanimously 5-0.**

9. Receive and approve plan activity and administrative update from Voya Financial for second quarter ending June 30, 2015, and receive Recordkeeper update on Beneficiary Data report, NDC program marketing, Small Inactive Account report summary, and service report. ([Supporting Material](#))

Ms. Patane highlighted a few items from the Voya Quarterly Review.

**Motion by Mr. Sisco to accept the Voya quarterly report. Second by Mr. Woodbury, the motion carried unanimously, 5-0.**

10. For Possible Action – Receive and discuss information that NDC Staff and DAG Shane Chesney have been able to collect regarding current NDC FICA Alternative 457(b) Program authority and administration. Additionally, discuss the authority for the NDC Committee to authorize Alliance Partner admittance and participation into the State’s Voluntary 457(b) and FICA Alternative Programs.

A lengthy discussion was held with the Committee, Mr. Bastien, Mr. Picarelli, and DAG Chesney regarding where the authority came for the Committee to add Alliance Partners, if the Alliance Partners increase the overhead of the Plan, and how they should proceed going forward. DAG Chesney recommended that the Committee temporarily suspend new Alliance Partner agreements until regulation was passed and/or the statute changed. At the Planning Meeting,

they could discuss setting a threshold for future Partners and possibly terminating the smaller ones.

In addition, they discussed the fee being charged to the current FICA participants and how it caused some accounts to lose money.

Mr. Bastien indicated that the \$7.80 per year that the FICA participants paid did not cover the costs for Voya to administrate those accounts. He was given authority to offer to waive the fee for accounts with a value of \$350 or less.

Mr. Sisco inquired if they could change it to a "cost neutral" wording since the interest rate would go down throughout the contract and the \$350 level could end up losing money.

Mr. Bastien noted he would take the negotiations back to Voya to see if they were willing to do that.

**Motion by Mr. Sisco to authorize DAG Chesney to put together a contract amendment with Voya that encompasses the break-even point or the \$350 or less balance for no fee for the term on the contract.**

Mr. Bastien clarified that Voya was offering this because they recognized the State was in a difficult position. They believed the fees they charged on the FICA plan were less than what should have been paid to support the program.

DAG Chesney stated it should be an amendment to the contract stating the change in the FICA fee.

**Mr. Stevens seconded the motion and the vote passed unanimously, 5-0.**

DAG Chesney suggested he could put some options together on the regulation change and provide them to the Committee for discussion.

**Motion by Mr. Sisco to authorize DAG Chesney to put together various options/versions for the regulation change and evaluate those at the next meeting, second by Mr. Stevens.**

Additional discussion ensued on the Alliance Partners and the Committee reiterated that they would like to see data or hard evidence to show how much they actually cost the Plan, to help them make decisions on this item.

**Vote on the motion carried unanimously, 5-0.**

**Motion by Mr. Sisco to instruct staff due to questions regarding language that we temporarily suspend all new Alliance Partner agreements until such time as we work that out. Second by Mr. Woodbury, vote carried unanimously, 5-0.**

Chair Oliver indicated that due to the vote on item 10, items 11 and 12 were moot and would not be considered.

11. For Possible Action – Receive, review, and potentially approve request for NDC to enter into an Interlocal Agreement to allow White Pine County Tourism and Recreation to join the NDC Voluntary 457(b) Program.

This agenda item was not addressed due to the vote on item 10.

12. For Possible Action – Receive review, and potentially approve request for NDC to enter into an Interlocal Agreement to allow existing Alliance Partner, Tahoe Douglas Fire Protection District, to join the NDC FICA Alternative 457(b) Program.

This agenda item was not addressed due to the vote on item 10.

13. For Possible Action – Review, discuss, and decide on if the NDC Committee would like to send the NDC Coordinator and a NDC Committee Member 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<sup>th</sup>-19<sup>th</sup> 2015. Institutional Investor will not sponsor costs for our legal counsel to attend; only our Program Coordinator and one other Committee member.

**Motion by Mr. Sisco to send Mr. Boehmer and Ms. Oliver to the Half Moon Bay Symposium, and Mr. Boehmer and Mr. Stevens to the New York City Summit. Second by Mr. Woodbury, motion passed unanimously, 5-0.**

14. For Possible Action – Establish upcoming meeting dates for the Annual Strategic Planning Meeting in January 2016 and 1<sup>st</sup> Quarterly Committee Meeting February 2016. Review and confirm 4<sup>th</sup> Quarter Committee Meeting scheduled for December 3, 2015.

**Motion by Chair Oliver to schedule the Planning meeting for Thursday, January 14, 2016, and the Quarterly Meeting for February 17, 2016. Second by Mr. Sisco, motion carried unanimously, 5-0.**

#### Comments/Updates

15. Committee Members

Mr. Sisco welcomed Mr. Stevens to the Committee.

Vice-Chair Davie commented it was likely his last meeting and he thanked the Governor for allowing him to finish his term. He also welcomed Mr. Stevens and believed the Committee was in a good place.

Mr. Woodbury thanked Mr. Davie for his institutional knowledge and stated it was a pleasure working with him and he was an extremely valuable member and would be missed.

Mr. Stevens looked forward to learning and being a contributing member.

16. Investment Consultant

No comment

17. Recordkeeper

Mr. Bastien on behalf of Voya thanked Mr. Davie for his service and partnership, he would be missed.

18. Staff Updates

Mr. Boehmer asked the Committee to consider providing performance standards for his position to help him do a good job. He also asked for feedback for the formal response to Mr. Alex Jones.



The Committee supported the response to Mr. Jones with the suggested wording change from Mr. Davie in the last paragraph. They acknowledged his input helped to better the plan.

Mr. Sisco recommended tracking how the new office space was received and include information about that in the next Program Coordinator report – noting participant's responses/frustration, operational problems, etc.

19. Public Comment  
No comment.

20. Adjournment

**Motion by Mr. Sisco to adjourn, second by Vice Chair Davie. Motion passed unanimously, 5-0.**

The meeting was adjourned at 2:45 p.m.

Respectfully submitted,

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Micah Salerno  
NDC Administrative Assistant