



Brian Sandoval, Governor

COMMITTEE
Karen Oliver, Chair, GCB
Steve C. Woodbury, Vice Chair, GOED
Audrey Brooks-Scott, DCNR
Kent Ervin, NSHE
Mark Stevens, Retired

STAFF
Rob Boehmer, Program Coordinator
Micah Salerno, Administrative Assistant

Shane Chesney, Senior Deputy Attorney General

DEFERRED COMPENSATION COMMITTEE PLANNING MEETING MINUTES

January 14, 2016

The planning meeting of the Deferred Compensation Committee was held on Thursday, January 14, 2016, immediately following the Regulation Hearing, in the conference room of the Governor's Office of Economic Development, 808 W. Nye Lane, Carson City, Nevada. Attendees participated in person or by teleconference.

A copy of meeting material including this set of meeting minutes, the agenda, and other supporting material, is available on the Nevada Deferred Compensation (NDC) website at:
<http://defcomp.nv.gov/Meetings/2016>.

COMMITTEE MEMBERS

Audrey Brooks-Scott
Kent Ervin
Mark Stevens
Steve Woodbury, Vice Chair
Karen Oliver, Chair

OTHERS PRESENT

Bishop Bastien, Voya	Dianna Patane, Voya
Rob Boehmer, NDC Program Coordinator	Frank Picarelli, Segal Rogerscasey
Shane Chesney, Sr. Deputy Attorney General	Micah Salerno, NDC Admin. Assistant
Shelley Frederick, Voya	Jennifer Whitman, Voya
Michelle Kelley, NSHE	

1. Call to Order/Roll Call

Chair Karen Oliver called the planning meeting of the Nevada Deferred Compensation (NDC) Committee to order at 9:11 a.m. on Thursday, January 14, 2016. Mr. Rob Boehmer took roll, determined a quorum was present, and confirmed the meeting was properly noticed.

2. Public Comment

No public comment.

3. Informational Item – Receive Annual Fiduciary Training- presented by Frank Picarelli of Segal Rogerscasey.

Mr. Picarelli covered his first report, *Fiduciary Responsibilities and Plan Governance*.

Dr. Ervin asked if recordkeepers had fiduciary responsibility.

Mr. Picarelli stated the recordkeepers did not play a fiduciary role. Their work was to primarily provide recordkeeping, administration, process transactions per plan documents, and appropriate administrative procedures.

Mr. Stevens inquired if the FICA Plan fiduciary responsibilities were the same as the voluntary Plan.

Mr. Picarelli noted they were similar but there were some differences because of the investment options available.

Mr. Picarelli quickly went through his second report, *Basics of Improving and Managing your 457 Plan*.

4. Informational Item – Receive Annual Open Meeting Law Training- presented by DAG Shane Chesney
DAG Chesney reviewed the Open Meeting Law training pertaining to Committee Members.

Ten minute break.

5. For Possible Action – Fee Leveling presentation and discussion- Presented by Frank Picarelli of Segal Rogerscasey.

Mr. Picarelli presented his *Fee Structure Analysis* report. Fees could be implicit (not visible-paid by fund revenue sharing) or explicit (visible).

Some Fee Payment Arrangements for collecting fees in the Program could be (pages 7 & 8):

- Per participant dollar charge, flat dollar amount paid by each participant (e.g. \$45/year/participant)
- Asset base fee paid by each participant (e.g. 0.08bps)
- Revenue sharing, negotiated amount between a mutual fund company and recordkeeper
- Combination of per head charge and asset-based fee

The current arrangement of our Plan was a revenue sharing fee where only participants invested in certain funds paid the fees for the Program.

DAG Chesney stated from a legal point of view that the percentage based model would be defensible and did not see litigation coming from that option.

Dr. Ervin suggested a hybrid model where each participant would pay a flat fee (\$20-\$25 per person/year) and Voya would still collect 8 basis points on the variable funds, which was the current contracted fee.

After a lengthy discussion on the different types of fee arrangements, the Committee agreed they should look at options for the next RFP, have future discussions, and not rush into any changes.

Dr. Ervin believed the highest priority would be to get the lowest expense share class on variable assets and then figure out how to pay the rest of the fees. Check to see if we were eligible for the cheaper Vanguard Target Date vehicles. Have Mr. Picarelli look into and set up the hybrid model with a threshold similar to the FICA Plan, if Voya could do that, and bring back information at a future meeting.

Mr. Picarelli commented that whatever method was chosen, the communication to Participants would be very important in explaining the new structure.

6. For Possible Action – Investment Option Plan Review:

- a. Discuss any proposed line-up changes; addition/deletion of asset classes or investment options- Presented by Frank Picarelli of Segal Rogerscasey

Mr. Picarelli's *Proposed Fund Structure* report looked at the current investment structure of the NDC Plan.

Dr. Ervin requested having Mr. Picarelli do a fund search to look at Small and Mid Cap value with the idea of replacing the Oppenheimer fund since there was already a blend. He requested that each meeting, when there is opportunity they do a fund comparison in more detail.

Mr. Picarelli noted he would do the fund search for the Small and Mid Cap to do the comparison but it would not be ready for the February meeting.

7. For Possible Action – Receive, discuss, and approve proposed Small Inactive Account phase-out multi-step process

Mr. Boehmer proposed revamping the provisions on the small account cash out that are included in the Administrative Manual. Currently three provisions had to be met:

1. Account balance not more than \$1,000
2. Participant has terminated employment
3. No contributions in 2 years

If the requirement for no contributions within two years was removed it would allow the Committee to push out small accounts for anyone no longer employed. The benefits to doing the phase out more quickly was not losing participant contact information and accounts over \$350 would not have to pay the yearly administrative fee.

Ms. Patane and Mr. Boehmer noted they were trying to encourage FICA employees to set up an account in the voluntary program so they could roll their funds into it when their employment was terminated.

Motion by Dr. Ervin to remove from the Administrative Manual, the provision of the 2 year requirement for small account cash outs as of 12/31/2015 and direct staff to ensure they follow all IRS provisions regarding determining when someone is terminated. Second by Mr. Stevens, motion carried unanimously, 5-0.

8. For Possible Action – Discuss any proposed amendments to:

- a. Investment Policy Statement
- b. 457(b) Plan Document
- c. FICA Plan Document
- d. Administrative Manual
- e. SAM Manual

Mr. Boehmer mentioned two sentences in SAM 3811 (last sentence in both paragraphs) and asked if the Committee thought they should be updated.

DAG Chesney stated that all the documents should say FICA Replacement because that was the standard IRS term for that type of program.

Mr. Woodbury stated they had done their due diligence in recently updating the documents and did not think anything needed to be changed at this time.

9. For Possible Action – Discuss any proposed legislation action for the 79th Legislative Session (2017).

a. Building the FY2018/2019 budget

No comments.

d. Statue changes

i. Possibility of having one seat on the Committee be from a representative of a Political Subdivision in the Plan

Mr. Boehmer mentioned that several Alliance Partners expressed an interest in having representation on the Committee. It would be a legislative initiative to change the statute.

The Committee agreed this was a reasonable suggestion since almost one quarter of the funds in the Program were from Alliance Partners. The regulation clearly defined who the Committee was comprised of so it would have to be changed.

Motion by Vice Chair Woodbury to pursue changing the statute to allow for a political subdivision member, appointed by the Governor, to serve on the Committee in one of the three executive positions and to direct staff to communicate intent to the Governor. Second by Mr. Stevens, vote carried unanimously, 5-0.

b. Auto Enrollment

Mr. Boehmer referred to the memo that provided details on auto enrollment. Discussion was held on the benefits of auto enrollment which included increased participation and creating a glide path for retirement savings success. There would be a 90 day opt-out so an employee could decide not to participate and/or get a refund of any deductions in the first 90 days in addition to being able to cancel their deduction at any time.

Mr. Boehmer commented that DAG Chesney should see if there was anything that would prevent this option. If there was an opt-out feature it should cover it.

DAG Chesney recommended acting soon if this was something the Committee wanted to pursue.

Motion by Ms. Brooks-Scott to propose a statutory change to the Governor that the Committee would like to submit a bill for auto enrollment for the Deferred Compensation Program, for State employees only, at a 1% contribution with a 90 day opt-out option, permissive for NSHE and Political Subdivisions. Motion seconded by Vice Chair Woodbury and passed unanimously, 5-0.

Dr. Ervin asked if the legislature should fund or require funding for NDC administrative expenses of the FICA portion of the Program. There could be issues with compliance when staff used time for FICA Plan business.

Mr. Picarelli suggested leaving business as usual and look at it during the next RFP and maybe bid the FICA Plan separately as a stand-alone plan. They could request a bid for two scenarios – bundled and unbundled.

- c. Auto Escalation
No comment.

Ten minute break.

10. For Possible Action – Receive and discuss Marketing/Education Administrative Plan for 2016:

a. Participant Satisfaction Survey

Mr. Boehmer asked for input from the Committee on the proposed survey that Dr. Ervin and Mr. Boehmer put together, and if they should move forward.

The Committee provided suggestions for changes to the proposed survey.

Motion by Dr. Ervin to approve the survey as amended, go forward along those suggestions, and do it electronically with a possible release around tax time, at staff discretion. Final review at the February meeting. Second by Ms. Brooks-Scott, motion carried unanimously, 5-0.

b. Review overall Plan Participation

i. Report on 2015 vs. 2014 participation

ii. Plan to increase participation in 2016

c. Retiree Financial Education Days (March/April/May 2016 timeframe)

d. National Save for Retirement Week- State of Nevada Financial Education Days (October 2016)

e. Program Marketing emphasis for 2016

f. Beneficiary Data Plan for 2016

g. Marketing to Political Subdivisions/Alliance Partners

h. Increasing Participation in NSHE

Ms. Jennifer Whitman from Voya presented her report on 2016 communications and strategy for the Program.

Mr. Boehmer commented on plans in 2016 for education days, beneficiary data, and marketing to political subdivisions.

11. For Possible Action – Discuss frequency of conducting Compliance and Financial Audits within the program

a. Per the existing contracts, we are due to conduct a financial audit of FY2015, and a bi-annual compliance audit.

b. How extensive should the sampling be?

c. Should the Program consider conducting an additional Financial Audit given the MassMutual misappropriation of TMFPD contributions?

Mr. Boehmer noted he hoped to start the financial audit for FY15 around April or May. He asked for feedback from the Committee if they wanted to continue the financial audits biannually and how extensive the sampling should be. Should there be an audit for FY2014 because of the MassMutual issue? Best practices were to do a financial audit every year and compliance audit every three years.

Mr. Picarelli remarked that the auditor should give a quote for the cost of an audit of 2014 contributions and try to get MassMutual to pay for that. Should negotiate for a lower fee on the financial audit since there was only one recordkeeper now.

Dr. Ervin wanted to follow Mr. Picarelli's recommendation to get a quote from the auditor for FY2014 audit to add onto the FY2015 audit. The sampling should be as robust as the contract allowed and whatever penalty came from negotiations with MassMutual could help pay the audit fee. He asked for Mr. Boehmer to report back at the February meeting.

The Committee discussed doing audits annually or biannually and proposed doing the financial audit on reconciling contributions for 2014 and 2015 and postponing the compliance audit of FY2015.

12. For Possible Action – Contract terminations to consider and discuss plan to create and send out an RFP:

- a. CliftonLarsonAllen Financial Audit Contract- expires 12/2016. This current contract includes completing FY2015 audit which will be billed/paid in FY2017.
- b. Segal Rogerscasey Investment Consultant Contract- expires 3/31/2017. This contract is currently on a two year contract extension.

The Committee agreed for the need to go out to RFP through State Purchasing for the CliftonLarsonAllen and Segal Rogerscasey contracts.

13. For Possible Action – Discuss Program Evaluations:

- a. Program Coordinator
- b. Mandatory Vendor Rating Evaluations:
 - i. Investment Consultant/Compliance Audit Contractor (Segal Rogerscasey)
 - ii. Financial Audit Contractor (CliftonLarsonAllen)
 - iii. Recordkeeper (Voya)

Mr. Boehmer reminded the Committee that according to the Administrative Manual his review was due at the February meeting.

Vice Chair Woodbury agreed to update the form they used last year to be appropriate for evaluating this year.

Mr. Boehmer noted the vendor rating information was in the meeting material and he would complete those at the appropriate time in 2016.

14. For Possible Action – Discuss NAGDCA and Institutional Investor Participation in 2016

Mr. Boehmer commented that the NAGDCA membership renewal was normally paid in January or February. He wanted to ensure the members attending the conference this year were on the membership roster.

Comments/Updates

15. Committee Members

No comments.

16. Investment Consultant

No comment.

17. Sr. Deputy Attorney General

No comment.

18. Recordkeeper
No comment.

19. Staff
No comment.

20. Public Comment
No comment.

21. Adjournment
The meeting was adjourned at 4:30 p.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant