



Brian Sandoval, Governor

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

STAFF  
Rob Boehmer, Program Coordinator  
Micah Salerno, Administrative Assistant

Shane Chesney, Senior Deputy Attorney General

## DEFERRED COMPENSATION COMMITTEE QUARTERLY MEETING MINUTES

November 29, 2016

The quarterly meeting of the Deferred Compensation Committee was held on Tuesday, November 29, 2016, at 9:00 a.m. in the conference room of the Governor's Office of Economic Development, 808 West 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, the video recording 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  
Karen Oliver  
Mark Stevens, Vice Chair  
Steve Woodbury, Chair

### OTHERS PRESENT

Bishop Bastien, Voya  
Rob Boehmer, NDC Program Coordinator  
Shane Chesney, Sr. Deputy Attorney General  
Matt Gilbride, Voya

Marlene Lockard, The Lockard Group (phone)  
Dianna Patane, Voya  
Frank Picarelli, Segal Rogerscasey  
Micah Salerno, NDC Admin. Assistant

### 1. Call to Order/Roll Call

Chair Steve Woodbury called the quarterly meeting to order for the Nevada Deferred Compensation (NDC) Committee at 9:02 a.m. on Tuesday, November 29, 2016.

Mr. Rob Boehmer took roll and determined a quorum was present. He also confirmed the meeting was properly noticed and posted.

Chair Woodbury recognized those calling in by telephone.

### 2. Public Comment

Ms. Oliver noted that she did not want to take action on item 6 during this meeting and suggested postponing a vote for a later meeting. She had contacted a group for information but was unable

to get permission to share that information. She also felt that since Ms. Brooks-Scott was leaving the Committee they should allow more time for that item to be researched and discussed.

Chair Woodbury took item 14 out of order.

14. Committee Members

Ms. Brooks-Scott commented she would be retiring at the end of December and did not feel it was fair to continue to serve on the Committee since she would not be an active employee. She appreciated the experience of being a member.

The other Committee members thanked Ms. Brooks-Scott for her service and congratulated her on her upcoming retirement.

Chair Woodbury noted they would take item 13 out of order, after they covered item 4.

3. For Possible Action – Approval of Committee meeting minutes from meeting held on August 17, 2016.

There were no comments or changes on the meeting minutes.

**Motion by Vice Chair Stevens to approve the minutes, second by Ms. Brooks-Scott. Motion passed unanimously, 5-0.**

4. For Possible Action – Receive and approve Program Coordinator's Report of third quarter 2016.

Mr. Boehmer reviewed his report including a budget and revenue review. There was a small work program done for out of state travel to cover the NAGDCA conference costs. They moved \$1,200 from Category 4 which had excess funds.

Dr. Ervin asked for the ongoing annual expenses for administrative needs to be provided each meeting.

Mr. Boehmer noted they had budget authority for \$445,858 minus the reserve of \$75,000 so \$370,000 was the budgeted amount but they would not be spending that total amount. Plan expenses will be covered for fiscal year (FY) 2017 and most of FY 18 but some adjustments would need to be made to generate more revenue to cover future costs.

Mr. Boehmer gave an update on the CliftonLarsenAllen (CLA) Financial Audit. CLA found some discrepancies from the transition. Mr. Boehmer hoped they would be able to present at the February 2017 meeting. Staff would bill for the audit prior to December 31, 2016, since that was when their contract expired. CLA was not interested in doing a contract extension since the Program only audited every two years. They indicated they would not bid unless the program changed to an annual audit.

Mr. Boehmer stated we would need to go out to bid around February 2017 and the Committee would need to decide if they wanted to continue bi-annual audits or change to annual. This would be discussed at the Planning Meeting in January.

Mr. Boehmer briefly commented on the Financial Wellness days held in October which involved all employee benefits. He was planning to conduct some focus groups in the near future and would report his results at the Planning Meeting.

**Motion by Ms. Oliver to accept the Program Coordinator report. Second by Dr. Ervin, motion carried unanimously, 5-0.**

13. Informational Item – Receive and discuss information released on Governor’s Bill Draft Request: SB80- “Makes various changes relating to the Public Employees’ Benefits Program and the Deferred Compensation Program.”

Mr. Boehmer provided a little background about the proposal of Department of Administration (Admin) to create a new employee benefits division including Public Employee Benefits Program (PEBP) and NDC. Mr. Boehmer suggested to Admin that they keep separate boards/committees for PEBP and NDC. When the Bill Draft Request was published it was the first draft and not the most updated version. Since it was still in the early stages and until it became governor recommended there was not a lot to discuss.

Dr. Ervin remarked that since the BDR was public the Committee should provide input to follow best practices. Questions he had for staff to relay were:

- What is the impetus for proposing changes?
- What problem was being fixed?
- Were other plan structures in other states researched and what model was followed?
- Issues with current BDR:
  - States that the advisory committee should act in the best interest of participants but it does not state the chief was to follow the same requirements- serious flaw.
  - No qualifications specified for chief.
  - Currently, Program Coordinator has fiduciary duties for the scope of the job but not for investments since they are outsourced to the investment consultant and the Committee take those on. A new structure will cost more than the current structure so who pays the difference? Will the state come up with extra money or will they expect program to be responsible for more.
  - If statute has to be changed and a fiscal note required the program should take the opportunity to change statute, update request for proposal (RFP) and exception for mutual funds and state the explicit authority with local governments.

Mr. Boehmer stated he would submit any questions the committee had.

Dr. Ervin requested having an item at the planning meeting on structures of plans in other states, what statutes said on where fiduciary responsibility laid, a few examples, and any NAGDCA information available.

Mr. Stevens also wanted to know who would have fiduciary responsibility and ultimate decision making for the Plan, based on the BDR.

The Committee suggested changing the date of the Planning Meeting until after the Governor’s State of the State address so more information would be available for discussion on the BDR.

5. For Possible Action – Receive and approve Investment Consultant’s review of report from Recordkeeper, performance of investment options, and Fund Watch list for the third quarter ending September 30, 2016.

Mr. Picarelli reviewed the financial markets on pages 2-20 from his Analysis of Investment Performance Report for third quarter 2016. The executive summary from page 23 showed the Voluntary Plan assets were at \$707.7 million which was an increase of \$19.9 million over the quarter. The Federal Insurance Contribution Act (FICA) Plan had \$31.4 million so the total Plan assets were \$739.1 million. The loan program was continuing to grow with 306 issued to date. Plan assets invested in the Stable Value Fund represented \$319 million (45.0%) followed by Target date funds at \$79.8 million (11.3%). The total revenue required was 15 basis points, as of September, 2016, there was a positive of \$13,867 in excess revenue sharing.

Mr. Picarelli briefly covered the revenue sharing analysis on page 31, plan activity and asset allocation from pages 32-47.

Vice Chair Stevens inquired what the interest rate would be on the FICA program in 2017 and if there would be an issue with the fee as in the past.

Mr. Bastien stated Voya would announce rates in December and they would have to reevaluate going into 2018 if the fee would outstrip the performance of the credited rate.

Mr. Picarelli reviewed the Watch List from page 27 noting the Allianz was removed and the funds were mapped to the new MFS Value Fund. The Dodge & Cox International remained on watch due to underperformance of the median over the 1 and 3 year periods.

FUND	RECOMMENDATION
Allianz NFJ Dividend Value (being replaced)	Mapped to MFS Value Fund during Q3
Dodge & Cox International	Remain on Watch

Dr. Ervin inquired what the criteria was the watch list.

Mr. Picarelli stated there were strict requirements with a conservative approach which were listed in the Investment Policy.

The Committee determined they should discuss the watch list criteria at the Planning meeting in January.

**Motion by Vice Chair Stevens to accept the Analysis of Investment Performance report and Watch List from Mr. Picarelli, second by Chair Woodbury. Motion passed unanimously, 5-0.**

Chair Woodbury called a five minute break.

6. For Possible Action – Receive and discuss information, and potentially take action on amending the current NDC Fee Structure. At the August 17, 2016 Committee meeting the NDC Committee requested that Voya, Segal Rogerscasey, and NDC Staff present various impact scenarios to the Committee illustrating what the impact could be to participants. Additionally, the Committee requested that research be done and information be provided on current or past law suits or case

information centered around Plan Sponsor Fees. Presented by Investment Consultant, Frank Picarelli of Segal Rogerscasey, Bishop Bastien of Voya Financial, and/or NDC Staff.

Mr. Picarelli explained that fee levelization was the latest trend in the industry to move to transparency. The Program had designed the current lineup for transparency which was good, but in changing funds the contract and administrative requirements to run the Plan still had to be met.

Currently the participants in stable value and index funds did not pay a specific fee and the participants in actively managed funds paid the largest amount of fees. Roughly 70% of the participant base were paying for all the costs of the Program so approximately 30% were not paying anything toward Program expenses.

Referring to the report that Mr. Picarelli prepared, he reviewed several scenarios: the current method, the flat percentage option, and the per-head charge. A lengthy discussion was held by the Committee, Mr. Picarelli, Mr. Bastien, and Mr. Boehmer regarding the two proposed fee leveling models. The Committee favored the hybrid model because it worked for all account values. It was transparent, fair, and reasonable allowing for all participants to pay their share of expenses for being in the Plan. In the hybrid model, participants invested solely in the stable value fund would pay only the flat, per-head charge.

Communication was very important through the process to explain the reason for the change. Mr. Bastien remarked that Voya recommends to communicate often through newsletter, email blast, and group and individual meetings. They prefer six to eight weeks of communication prior to changes being implemented.

Chair Woodbury and Dr. Ervin believed they needed to pursue this, move forward with the hybrid plan, and make a decision at the Planning meeting.

**Motion by Dr. Ervin to direct staff and contractors to pursue the hybrid approach as presented by Mr. Picarelli with 0 percent on fixed for the January Planning Meeting. Add details to make it as realistic as possible and discuss possible fund changes and implementation at that time. Second by Vice Chair Stevens.**

Dr. Ervin and Ms. Oliver noted the Program should reach out to Retired Public Employees of Nevada (RPEN) and share that this would be discussed at the Planning Meeting.

**Vote on motion was unanimous and passed 5-0.**

Chair Woodbury stated that staff should do the legwork to get the contract extended for the Investment Consultant contract, due to the fee levelization process, and put that on the Planning Meeting agenda. They should also have an action item on the Planning Meeting agenda for fee levelization.

Chair Woodbury called a five minute break.

7. For Possible Action – Receive, discuss, and approve Small/Mid-Cap Value investment fund search information presented by contracted Investment Consultant, Frank Picarelli of Segal Rogerscasey.

Mr. Picarelli gave an overview on some of the products they had researched for the Small/Mid-Cap value box(es). It was a hard bucket to fill but he suggested he bring information on Mid class or Mid branching to Small class at the January Planning meeting.

No motion was taken on this agenda item.

8. For Possible Action – Receive and approve plan activity, administrative update, beneficiary data report, small inactive account report summary, and service report from contracted recordkeeper's Dianna Patane of Voya Financial for third quarter ending September 30, 2016.

Ms. Patane covered items from the Voya third quarter report including information on the Voya Fixed Account, rollovers, loans, and distributions. She also provided an update on beneficiary data, small account cash out, quarterly activities, and participation.

**Motion by Ms. Oliver to accept the Voya report, second by Dr. Ervin, motion carried unanimously, 5-0.**

9. Informational Item – Report and overview from Voya Financial and NDC Administration regarding current and ongoing training and service monitoring parameters that are in place for the Financial Education Representatives assigned to work in the NDC Program and in managing the current NDC Recordkeeping Contract.

Mr. Matt Gilbride, Regional Vice President for tax exempt market with Voya Financial, reviewed the training process that Voya follows for new representatives as well as outlined the training, phone calls, and visits he conducts for ongoing education.

10. For Possible Action – Receive, discuss, and approve Interlocal Contracts for new Political Subdivisions:

- Pershing County
- Smith Valley Fire Protection District

Mr. Boehmer introduced the two new Interlocal contracts that wanted to initiate participation in the NDC Program.

**Motion by Dr. Ervin to accept the two new Political Subdivisions, second by Ms. Brooks-Scott. Motion passed unanimously, 5-0.**

11. For Possible Action – Review, discuss, and decide what Committee member along with the Program Coordinator will attend the Institutional Investor Defined Contribution Forum being held in Chicago, Illinois, on April 4-5, 2017.

The Committee determined Ms. Oliver would attend the conference along with Mr. Boehmer. Dr. Ervin would be the backup if Ms. Oliver could not go.

12. For Possible Action – Confirm upcoming scheduled meeting dates and schedule May 2017 Quarterly Committee meeting.

The Committee elected to move the Planning Meeting date from January 11 to January 26, 2017, starting at 8:30 a.m.

## Comments/Updates

### 14. Committee Members

Dr. Ervin stated he would be lobbying for faculty alliance during the next legislature session.

Ms. Oliver asked where the committee stood in participant complaints. She asked if they could consider developing a process for the Committee to follow if there was a problem. This would be discussed at the Planning Meeting in January, 2017.

### 15. Investment Consultant

No comment.

### 16. Recordkeeper

No comment.

### 17. Staff Updates

Ms. Salerno thanked the Committee and Program for allowing her to attend the NAGDCA conference in September. It was an educational experience and she appreciate the opportunity to gain new knowledge.

### 18. Public Comment

No comment.

### 19. Adjournment

The meeting was adjourned at 2:21 p.m.

Respectfully submitted,

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Micah Salerno  
NDC Administrative Assistant