



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 QUARTERLY MEETING MINUTES

February 25, 2016

The quarterly meeting of the Deferred Compensation Committee was held on Thursday February 25, 2016, at 9:00 a.m. in room 2134 of the Legislature Building, 401 South Carson Street, Carson City, Nevada. Attendees participated in person, by 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/2016>.

COMMITTEE MEMBERS

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

OTHERS PRESENT

Rob Boehmer, NDC Program Coordinator
Shane Chesney, Sr. Deputy Attorney General
Dianna Patane, Voya
Frank Picarelli, Segal Rogerscasey

Micah Salerno, NDC Admin. Assistant
William F. Sanders Jr.
Robert Trenerry, MassMutual (by phone)

1. Call to Order/Roll Call

Chair Karen Oliver called the quarterly meeting to order for the Nevada Deferred Compensation (NDC) Committee at 9:01 a.m. on Thursday, February 25, 2016. Mr. Rob Boehmer took roll, determined a quorum was present, and confirmed the meeting was properly noticed.

Chair Oliver recognized those calling in by telephone.

2. Public Comment

No comment.

3. For Possible Action – Approval of Committee meeting minutes from meetings held on December 3, 2015, Regulation Meeting and Annual Strategic Planning Meeting on January 14, 2016.

Motion by Dr. Ervin to approve all three sets of minutes, second by Chair Oliver. Motion passed unanimously, 5-0.

Chair Oliver noted items 5 and 6 would be taken out of order.

5. For Possible Action – Review, discuss, approve and/or amend proposed plan to rectify situation regarding MassMutual’s contractual obligation outlined in the Service Guarantees section of contract #11243 as it pertains to the failure to post participant contributions from October 14, 2014 of political subdivision, Truckee Meadows Fire Protection District (TMFPD).

Mr. Boehmer reviewed the situation with TMFPD where MassMutual failed to post contributions to participant account in October 2014. MassMutual paid the participants interest from October 31, 2014 through the date on which the contributions were sent to Voya at a rate of 4% per annum. Additionally they acknowledged the \$5,000 service level fee and agreed to forward payment as soon as they received agreement to do so.

DAG Chesney believed the offer of \$5,000 for the service guarantee was the lowest amount they could go with. If the Committee chose, they could pursue litigation. The other end of the spectrum would be \$5,000 per individual violation which was over \$350,000. It was up to the Committee how they wanted to move forward.

A lengthy discussion ensued where the Committee wanted to ensure that the participants were made whole with the 4% offering. Given the cost of litigation they were reluctant to pursue that option. The 4% had already been credited to participant accounts and the \$5,000 was a penalty on a service guarantee of the contract.

Motion by Vice Chair Woodbury to accept the retroactive 4% rate paid to participants and accept the \$5,000 penalty from MassMutual. Second by Dr. Ervin, motion carried unanimously, 5-0.

6. For Possible Action – Receive, review, discuss, and potentially act on recommendation and cost proposal of contracted Financial Audit contractor, CliftonLarsenAllen, LLP, to conduct Audit of scheduled FY2015, and complete audit of FY2014 based on the MassMutual contribution posting error referred to in agenda item 5.

Mr. Boehmer explained that CliftonLarsenAllen (CLA) would be conducting the scheduled audit of fiscal year 2015, but the Committee needed to decide if additional auditing should be performed due to the MassMutual error in posting participant contributions.

Dr. Ervin proposed having a prerequisite for any new entity joining the Program to be required to use the Voya payroll system, submit electronically by wire or ACH funds, provide termination dates and beneficiary forms, and to update Voya when staff changed and who was submitting the information.

Mr. Trenerry confirmed that MassMutual had performed an internal audit when they discovered the error in the contribution posting. He could request that MassMutual provide the information from the internal audit to the Program for review if that was requested in writing. He also wanted

to confirm that MassMutual would send the service level guarantee payment once they received a direction letter.

The Committee believed it was important to review the contribution posting error, but it was a shared responsibility with MassMutual. If they were able to obtain the information from MassMutual they could have an external auditor review the material. They did not want to ignore the error as there was nothing more important than ensuring money taken from participant paychecks were credited to their accounts. They also wanted to be fiscally responsible.

Motion by Dr. Ervin to move forward with the recommendation in the final paragraph of the CliftonLarsonAllen letter and have staff reach out to MassMutual for any data about the internal audit that would be helpful. Second by Ms. Brooks-Scott.

Mr. Boehmer asked if it was advisable to do this within the existing framework of the current contract and ask CLA to move forward, but only with approval of the current scope of the contract.

Mr. Stevens liked that idea and if CLA needed additional money they could come back with that information and the Committee could make a decision at that time.

Dr. Ervin amended his motion to include “that it should be done within the existing contract.”

Chair Oliver asked for Mr. Boehmer to provide something in writing to MassMutual so they would pay the \$5,000 fee.

Mr. Boehmer noted that the audit would be contingent on MassMutual providing the internal audit data, and they would not be able to move forward without their cooperation and that information. He would find out what CLA needed and pass that on to MassMutual to see if they would share that data.

Ms. Brooks-Scott confirmed she seconded the motion as amended. Vote on motion was unanimous, 5-0.

4. For Possible Action – Receive and approve Program Coordinator’s Report of fourth quarter 2015.

Mr. Boehmer presented his report starting with the budget reports. He noted the IFC had approved the reimbursement so those funds would be sent to Voya to distribute to participants.

Ms. Patane with Voya commented that the administrative account was set up and ready to receive a deposit which was expected from the State within a week. She noted that Mr. Boehmer would be able to monitor the account anytime and the funds would be invested in the general account.

Mr. Boehmer continued with information on the Retiree Financial Education Days being organized for early June. He reviewed the one-year contract performance evaluation for Segal where they met all standards, which was a very good rating. The participant survey was being finalized and he hoped to have it out in March to be in-line with tax time.

Dr. Ervin suggested having several people test the survey before it went live to make sure the questions made sense and to receive feedback.

Mr. Boehmer reported that the upcoming CliftonLarsonAllen audit would fulfill their current contract which would expire December 31, 2016. The Segal Rogerscasey contract would be expiring March of 2017 and State Purchasing had been contacted regarding potential of conducting an RFP. The 2016 Administrative Plan was included and the budget kick-off meeting was set for March 9, 2016. He concluded his report speaking about the quarterly newsletter and yearly marketing plan with Voya.

Chair Oliver recommended having the chair or co-chair be invited to the budget meeting.

Dr. Ervin asked when the participant reimbursement would take place.

Ms. Patane explained that once they received the funds from the State they would move forward with the reimbursement. The data files they received from MassMutual for December 31, 2014 only included names so Voya had to use a different file, closer to the February 2015 transition, because they needed all the data in order to process the refunds correctly. The March statement would include the reimbursement as a separate dividend refund.

Motion by Chair Oliver to accept the Program Coordinator report. Motion seconded by Vice Chair Woodbury and passed unanimously, 5-0.

7. For Possible Action – Receive and approve Investment Consultant’s review of fourth quarter report from recordkeeper and performance of investment options.

Mr. Picarelli covered the financial markets on a high level from pages 2-20 of his Analysis of Investment Performance report for fourth quarter 2015. Plan assets totaled \$680.9 million with an increase of \$14.7 million (2.1%) over the quarter. That total did not include FICA assets. Majority of Plan assets were invested in the Stable Value Fund representing \$304.8 million (44.8%). Target date funds totaled \$71.0 million and when they reached \$100 million in assets in Vanguard funds they would qualify for the institutional share class, the information was on page 58 of his report.

Mr. Boehmer pointed out that some plans do a “re-enroll” of current participants which could be done in the Plan to boost the Target date assets.

Chair Oliver did not support that idea at this time.

Dr. Ervin asked Mr. Picarelli to provide additional information on this type of re-enroll/rebalancing in the future as to how it works and trends in the industry. It might be something to consider if the auto-enrollment and/or auto-escalation features were approved through the Legislature.

Dr. Ervin asked why the transfers did not equal zero and wanted to see more transparency in the reporting of numbers.

Motion by Dr. Ervin to have the Investment Consultant work with Voya to provide clarification and update the report, second by Chair Oliver. Motion carried unanimously, 5-0.

Motion by Dr. Ervin to accept the Analysis of Investment Performance Report for December 31, 2015, second by Mr. Stevens. Motion carried unanimously, 5-0.

Motion by Dr. Ervin to accept the recommended watch list from page 27, second by Vice Chair Woodbury. Motion passed unanimously.

Mr. Picarelli reviewed his S3 Rating Scoring System that Segal Rogerscasey provided annually.

As a follow up to the December meeting the Committee made a decision to look at replacing the Large Cap Value fund, Allianz NFJ Dividend Value fund. Mr. Picarelli provided a U.S. Large Cap Value Search report with three alternatives

After discussion the Committee wanted time to review the material, but not take any action because the report was not a separate agenda item.

Dr. Ervin wanted to see some clarification on the graphs and what the colored items represented. He also asked for a comparison of the two current large cap value funds side by side with the top three replacement choices so they had adequate information for deciding if and why they should choose a replacement at the next meeting. The Segal score sheet and performance in the regular report would be good for all the five funds.

Dr. Ervin stated they should agendize this item for the next meeting being broad enough to look at the large value funds for substitution, replacement, consolidation, to cover whatever the Committee decides.

Mr. Woodbury also wanted to take a look at categories where there were more than one fund in the same bucket.

Dr. Ervin suggested they only do one fund search per meeting.

Mr. Picarelli noted he would summarize the information for the large cap search at the next meeting, expanding his search to include the two existing options and add a performance page layout like the one in the regular report.

Mr. Boehmer asked for direction on how to agendize the fund search item.

Dr. Ervin suggested having potential action that could include doing nothing, consolidating funds, or replacing funds.

Lunch break.

8. For Possible Action – Receive and approve the Investment Consultant’s Fund Watch list for the fourth quarter ending December 31, 2015.

Mr. Picarelli reviewed the watch list during item 7.

FUND	RECOMMENDATION
American Funds Growth Fund of America	Remain on Watch
Allianz NFJ Dividend Value	Remain on Watch
Franklin Mutual Global Discovery	Remain on Watch

The Committee voted on the watch list during discussion on agenda item 7.

9. For Possible Action – Receive and approve plan activity, administrative update, Beneficiary Data report, Small Inactive Account report summary, and service report from Voya Financial for fourth quarter ending December 31, 2015.

Ms. Patane highlighted items from the Voya Quarterly and Year End Review including distribution trends, service guarantees, participation breakdown, loan information, and marketing and seminar information.

Motion by Dr. Ervin to accept the Voya report. Second by Mr. Woodbury, motion passed unanimously 5-0.

10. Informational Item – Receive regulation amendment update from DAG Shane Chesney regarding clarifying authority of the Committee to approve political subdivisions participation in the NDC Program(s).

DAG Chesney gave a brief update on the regulation amendment noting it was submitted to LCB and was in the final stage of review. It was on the agenda for the February 19 Commission meeting but was postponed to the March 11 meeting. He anticipated it would be adopted at that time.

11. For Possible Action – Receive, discuss and potentially approve proposed Plan Document and FICA Plan Document amendment of language governing distribution of small inactive accounts (removing two year requirement).

Mr. Boehmer reviewed the amendment of language governing distribution for small inactive accounts changes to the Plan Documents to remove the two year requirement.

Dr. Ervin asked if the FICA wording under section 7.1 a), last sentence, should say Section 7.1 not 7.2.

Motion by Dr. Ervin to accept the two document changes with the revision of the section numbering. Second by Ms. Brooks-Scott, motion carried unanimously, 5-0.

12. For Possible Action – Receive, discuss, and approve Interlocal Contract for existing Political Subdivision – East Fork Fire Protection District. This entity used to be administered under Douglas County's EIN and Interlocal Contract, but began administering all of their benefits independently on January 1, 2016.

Mr. Boehmer explained how East Fork Fire payroll was previously administered under Douglas County's employer identification number but has now separated their payroll service from Douglas County.

Dr. Ervin asked if this political subdivision met all the requirements of wiring and submitting their information electronically.

Ms. Patane confirmed they met the requirements.

Motion by Dr. Ervin to approve the Interlocal agreement with East Fork Fire Protection District, second by Mr. Woodbury. Vote passed unanimously, 5-0.

13. For Possible Action – Per the adopted NDC Administration Manual: 7.3 – Program Coordinator’s Review Process- 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

The Committee discussed Mr. Boehmer’s annual review noting that all of the Committee remarks met or exceeded expectations. They discussed an annual increase and the salary range/title he currently held.

Mr. Woodbury gave some background on the position and salary range.

Mr. Stevens supported a merit increase, but did not support changing the unclassified pay bill because they could not know what the salary should be for this position in future years.

Dr. Ervin believed they should reevaluate the position and do a study since it was renamed and see how the job had evolved. They should take into account the market rates in that study. He recommended a merit increase.

Mr. Woodbury agreed with a minimum equivalent of a 5% merit increase, and then they could decide if they wanted to commission a review of the position at a later date.

DAG Chesney noted that the title change and recommendation of a study were beyond the scope of the agenda item so should be put on a future agenda. The Committee could request that Mr. Boehmer obtain salary information from other comparable programs for his type of position.

Motion by Mr. Woodbury to give Mr. Boehmer a 5% pay increase, retroactive to his anniversary date. Second by Mr. Stevens, vote passed unanimously.

14. For Possible Action – Per NRS 287.330, 1. The Committee shall: (a) At its first meeting each year, designate one of its members to serve as Chair of the Committee for a term of 1 year or until the chair’s successor has been designated. Additionally, the Committee will also designate a Vice Chair.

Mr. Stevens believed it was important to have someone with tenure on the Committee serve as the Chair of the Committee, and nominated Mr. Woodbury to serve as Chair.

Motion by Mr. Stevens to nominate Mr. Woodbury as Chair, second by Chair Oliver. Vote passed unanimously, 5-0.

Motion by Mr. Woodbury to nominate Mr. Stevens as Vice Chair, second by Dr. Ervin. Vote passed unanimously, 5-0.

Mr. Woodbury and Mr. Boehmer complimented Ms. Oliver on a job well done as chair for the past year and that they appreciated working with her.

15. For Possible Action – Confirm upcoming scheduled meeting dates and schedule August 2016 date.

Chair Oliver remarked that the August meeting date was already set for August 17, 2016.

Comments/Updates

16. Committee Members

Dr. Ervin thanked Ms. Oliver for serving as chair and was looking forward to working with Mr. Woodbury as the new chair. He suggested some items for future agendas: fund replacement/consolidations; order to do future fund searches; different ways to cover contractual fees on administration and revenue with specifics from Voya and the Investment Consultant on what the options for our Plan would look like that were discussed at the planning meeting, including a flat percentage, flat dollar, and a hybrid.

17. Investment Consultant

No comment

18. Recordkeeper

Ms. Patane thanked the Committee for a great first year of their contract, working with Ms. Oliver as chair. She looked forward to the next four years and working with Mr. Woodbury as chair.

19. Staff Updates

Mr. Boehmer appreciated the Committee working with him and finding value in his performance. He expressed that when looking at the position from when professional staff first started with the Program until now, there was not much difference in the current workload and capacity. The person in his position oversaw the administration of the Plan, and he looked forward to continuing to do that in the future.

20. Public Comment

No comment.

21. Adjournment

The meeting was adjourned at 3.12 p.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant