



Brian Sandoval, Governor

COMMITTEE

Mark Stevens, Chair, Retired
Kent Ervin, Vice Chair, NSHE
Karen Oliver, GCB
Steve C. Woodbury, Chair, GOED
Todd Myler, DHHS

STAFF

Rob Boehmer, Program Coordinator
Micah Salerno, Administrative Assistant

Dawn Buoncristiani, Deputy Attorney General

DEFERRED COMPENSATION COMMITTEE QUARTERLY MEETING MINUTES

May 25, 2017

The quarterly meeting of the Deferred Compensation Committee was held on Thursday, May 25, 2017, 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/2017>.

COMMITTEE MEMBERS

Todd Myler
Steve Woodbury
Kent Ervin, Vice Chair
Mark Stevens, Chair

OTHERS PRESENT

Bishop Bastien, Voya
Rob Boehmer, NDC Program Coordinator
Dawn Buoncristiani, Attorney General
Frank Picarelli, Segal Marco

Dianna Patane, Voya
Carlos Romo, Retired Member (phone)
Micah Salerno, NDC Admin. Assistant
Michelle Williams, Voya (phone)

1. Call to Order/Roll Call

Chair Mark Stevens called the quarterly meeting to order for the Nevada Deferred Compensation (NDC) Committee at 9:05 a.m. on Thursday, May 25, 2017.

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

Chair Stevens noted that Ms. Karen Oliver was excused from the meeting due to work assignments. He also recognized those calling in by telephone.

2. Public Comment

Dr. Carlos Romo thanked the Committee for their work on behalf of the Plan. He also asked the Committee to be sure to look at Senate Bill (SB) 502 and any ramifications it may have on the appointment of NDC members as well as any affect it might have on the access of participants. He wanted to make sure that transparency continued to be a primary concern of the Committee.

Chair Stevens mentioned that the Committee had looked at SB 502 in its original form and took a neutral position. Public employee groups met and negotiated amendments to the bill with the Director of Department of Administration which were put into the bill. The Committee held a special meeting to review the first reprint of SB 502 and the Committee took a position to support the bill.

Chair Stevens noted they may take items out of order from the agenda, if necessary.

3. For Possible Action – Approval of Committee meeting minutes from meeting held on January 26 and February 23, 2017.

January 26 minutes had two corrections: page 3, typo in third paragraph, 4th sentence. Correct spelling of acct to account and strike the remainder of the sentence after administrative fees.

Page 7, item 10, third paragraph. Indicate that when the Chair left the room the meeting was turned over to the Vice Chair.

Motion by Vice Chair Ervin to approve the minutes with corrections, second by Mr. Woodbury. Motion passed unanimously, 4-0.

4. For Possible Action – Receive and approve Program Coordinator’s Report of first quarter 2017.

Mr. Boehmer reviewed his report including a budget and revenue review.

Chair Stevens asked how much would be withdrawn from the administrative account before the end of the fiscal year.

Mr. Boehmer stated the office would be billing for \$113,000 in revenue to cover expenditures for the rest of fiscal year (FY) 17. That would leave them with a 90 day reserve. It was best to leave the funds in the account for as long as possible since it provided a good interest rate.

Mr. Boehmer concluded his reports with some final comments:

- Eide Bailly was awarded the financial audit contract and would be starting the FY16 audit soon.
- The closing report and LCB reports for the budget were provided.
- Mr. Boehmer had been talking with Nye County and City of North Las Vegas about joining the NDC Program.
- The Certified Public Manager Program Class 15 just started in May so he would be able to apply for Class 16 starting in May of 2018. It was an extensive course with a lot of class time, but fortunately the classes would be held in the State Library Building. Scholarships were given to most State employees so he should qualify.
- Retiree Financial Wellness Fair was scheduled and communication being sent out for the week of June 12-16. RPEN was included this year. Mr. Boehmer will hold focus groups after the meetings as a follow-up.
- Last meeting Ms. Oliver requested a summary of all the decisions the Committee had made regarding fee leveling and fee structure amendment. He had sent that out in December/January but had updated it for Ms. Oliver. He would provide the updated version to the Committee and Mr. Picarelli.

Motion by Mr. Woodbury to accept the Program Coordinator report. Second by Mr. Myler, motion carried unanimously, 4-0.

5. For Possible Action- Receive, review, and discuss proposed Internal controls process developed as a joint effort by NDC Administrative Staff, State of Nevada Internal Audits Division, and Voya Compliance as a result of the FY2015 Financial Audit presented at the February 2017 Committee meeting.

Mr. Boehmer explained the proposed internal control process that staff developed with the assistance of the Internal Audit division. The intent would be to resolve some of the past issues with previous financial audits by creating and maintaining a general ledger for the Plan. Voya would send their monthly contribution totals and five different payroll centers would be contacted each month to request their contribution totals and then staff would verify the amounts balanced. Mr. Boehmer did not foresee any issues with the proposed process because of Voya's internal controls which did not allow them to post contributions until they balanced with the data files they receive. Voya also sends each payroll center a confirmation statement after verifying that their payroll wire balances with the corresponding data file that is submitted by the payroll center.

Mr. Woodbury was concerned that the process was labor intensive. If after several months of implementation it was found to take too much time they could look at contracting the service out or thinking of other options.

Mr. Boehmer noted they would monitor this and report back on how much time it takes.

Motion by Vice Chair Ervin to approve the internal control process as outlined by Mr. Boehmer. Second by Mr. Myler, motion carried unanimously, 4-0.

6. For Possible Action – Receive and approve Investment Consultant’s review of report from Recordkeeper, performance of investment options, and Fund Watch list for the first quarter ending March 31, 2017.

Mr. Picarelli reviewed the financial markets on pages 2-20 from his Analysis of Investment Performance Report for first quarter 2017. The executive summary from page 22 showed the Voluntary Plan assets were at \$742.4 million which was an increase of \$23.2 million over the quarter. The Federal Insurance Contribution Act (FICA) Plan had \$33.5 million in assets so the total Plan assets were \$775.9 million. The loan program was continuing to grow with 432 issued to date with an outstanding balance of \$2.8 million. Plan assets invested in the Stable Value Fund represented \$321.6 million (43.3%) followed by Target date funds at \$86.1 million (11.6%). The total revenue required for the Voya contract was 15 basis points, as of March 31, 2017, there was a positive of \$8,387 in excess revenue sharing. The Vanguard Mid-Cap Value Index Fund was added to the investment lineup as of April 2017 and would show up on the next quarterly report. Mr. Picarelli also covered the revenue sharing analysis on page 30.

Mr. Picarelli stated the Watch List from page 26 was incorrect and he provided a revision. Four funds would remain on watch and one would be removed.

FUND	RECOMMENDATION
MFS Value Fund R4	Remain on Watch
Parnassus Equity Income	Remove from Watch
Fidelity Contrafund	Remain on Watch
Oppenheimer Main Street Mid Cap	Remain on Watch
Goldman Sachs Small/Mid Cap Growth	Remain on Watch

A discussion was held on targeted campaigns based on participants invested in one-fund and how they could reach out to those people without being too specific on telling them how to invest.

Mr. Picarelli covered plan activity and asset allocation from pages 31-46. There was an error on page 47 under the Roth Account for NSHE for March. The correct number should have been \$1,108,109. Looking at FICA Plan Activity, fund comparative performance, and watch list review completed his report.

Motion by Mr. Woodbury to approve the Analysis of Investment Performance report from Mr. Picarelli, second by Vice Chair Ervin. Vote on motion was unanimous, 4-0.

Motion by Vice Chair Ervin to accept the watch list dated March 31, 2017, as modified from the packet, removing Parnassus Equity Income because of outperformance over the 5 year period. Second by Mr. Myler, motion passed unanimously, 4-0.

Chair Stevens called a five minute break.

7. For Possible Action – Receive, review, and discuss current adopted NDC Investment Policy Statement watch list criteria. Committee Members requested NDC Administrative Staff to collect data from National Association of Defined Contribution Administrators (NAGDCA).

At the February 25, 2017 Committee meeting the Committee requested staff to research other programs' watch list criteria and report back at the May meeting. Mr. Boehmer conducted a survey to NAGDCA partners and requested Mr. Bastien to poll other investment consulting firms that Voya worked with to gather data for watch list criteria.

Mr. Boehmer drafted a memo with nine different options based on the information he received. The Committee along with Mr. Picarelli discussed the options and determined the current language, with the recent update, was appropriate because it showed they were doing their due diligence but still allowed flexibility to add or remove funds as they chose.

No motion was taken on this item.

8. For Possible Action – Receive, discuss, and potentially take action on Large Cap Growth Fund search.

Mr. Picarelli clarified that this was not a fund search because the current funds were not doing well but it was to make a decision on where the Plan was going and to simplify the lineup in moving to the fee leveling structure. He reviewed the 3 candidates along with the incumbent funds, compared expense ratio, style boxes, number of stocks, and other characteristics.

The Committee discussed the pros and cons of each of the choices as well as options to consolidate within the current funds available to a single investment option within the asset category. The goal of the Program for many years was to get rid of multiple offerings, consolidate, and simplify. Continued discussion ensued, with the Committee ultimately deciding that they should consider consolidating two of the current funds within the Large Cap Growth asset category, the *American Funds Growth Fund of America* with approximately \$8.4 million in assets and the *Fidelity Contra Fund* with approximately \$7.2 million in assets, into the *T. Rowe Price Growth Stock Fund*, which is the third investment option currently offered in this asset category.

Motion by Vice Chair Ervin to consolidate the 3 existing large growth category funds into the existing T. Rowe Price Growth stock at the lowest price share class. Second by Mr. Woodbury, motion passed unanimously, 4-0.

9. For Possible Action – Receive and discuss proposed Fund Line-up Presentation and Fee Structure Amendment Communication Plan.

a. Proposed fund line-up associated with Fee Structure Amendment transition.

Mr. Boehmer explained that the proposed fund lineup and fee structure amendment communication plan were being presented to take final action to stay on track with the proposed implementation plan and timeline presented and approved at prior meetings in 2017.

Mr. Picarelli referred to his Investment Structure report for the different areas they would be focusing on. Starting on page 4 he commented that one option would be to move assets from the Balanced Fund category into the Target Date funds in order to reach \$100 million in assets in that category. This would reduce the expense ratio to a uniform 10 basis point in all the Target Date funds.

Motion by Dr. Ervin to move the Invesco Van Kampen Equity and Income and the Voya T. Rowe Price Cap Appreciation Portfolio funds into the age appropriate Target Date Funds. Second by Mr. Myler, motion passed unanimously, 4-0.

Mr. Picarelli moved to the Socially Responsive category and proposed two options:

- 1) Eliminate the category and map to the Vanguard S&P 500 Index; or
- 2) Change to Vanguard FTSE Index fund for a lower expense.

Vice Chair Ervin was reluctant to get rid of the social responsive category at this time, but since the Vanguard S&P was the same style as the current fund, mapping to that would make sense and they would not need to do a fund search because it was the same style.

Motion by Mr. Woodbury to migrate the Parnassus Equity Income to the Vanguard Institutional Index fund. Second by Mr. Myler, motion carried unanimously, 4-0.

Motion by Vice Chair Ervin that they substitute [bring into the NDC Core Investment Line-up or adopt in the line-up] the cheapest available share class for the entire suite of Vanguard Target Retirement funds. Second by Mr. Woodbury, motion passed unanimously, 4-0.

Other than the changes made during the meeting or in previous meetings everything else would remain the same for the fund lineup.

Motion by Vice Chair Ervin that all remaining funds retained in the lineup move into the share class with cheapest available net price, second by Mr. Myler. Motion carried unanimously, 4-0.

b. Proposed Fee Structure Amendment Communication components to include letters, HTML, Statement communications, informational meeting flyers or communications, etc.

Mr. Bastien remarked that the piece they provided was developed internally. They wanted to create the text of the main document first so all following pieces would be derived from that

document. Voya would provide full documents by June 6th with revisions from today's meeting so it could move to compliance for final review.

A lengthy discussion was held by the Committee, DAG Buoncristiani, Mr. Boehmer, Mr. Picarelli, Mr. Bastien, and Ms. Williams. They wanted the information to be clear, showing what the changes would be, to be eye pleasing, and to highlight the positive changes to the fees. Multiple suggestions and edits were provided to Voya's team in rewording certain sections of the communication, and the Committee requested that once the changes were made, that Voya should re-route the piece to Mr. Boehmer for final approval and that a copy should be circulated to all of the Committee members for review.

10. For Possible Action- Receive and approve plan activity, administrative update, beneficiary data report, small inactive account report summary, and service report from contracted recordkeeper Voya Financial for first quarter ending March 31, 2017.

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

Motion by Mr. Myler to accept the Voya report, second by Vice Chair Ervin. Motion passed unanimously, 4-0.

11. Informational Item- Receive and discuss any new information released on Senate Bill 502 "Makes various changes relating to the Public Employees' Benefits Program and the Deferred Compensation Program".

Mr. Boehmer noted the first revised amendment of SB 502 went through the Senate floor and was approved. It went on to the Assembly where there was a hearing yesterday and they took a vote for due pass to the Assembly floor. No testimony was given against the bill.

12. For Possible Action- Receive, discuss, and approve Interlocal Contract for Political Subdivision:
 - a. East Fork Fire Protection District- FICA Alternative Plan participation

Motion by Mr. Woodbury to add the East Fork Fire Protection District as a FICA Interlocal contract. Second by Vice Chair Ervin, motion carried unanimously, 4-0.

13. For Possible Action- Review, discuss, and decide what Committee member(s) along with the Program Coordinator will attend the NAGDCA Conference being held in Milwaukee, WI on September 24-27, and Institutional Investor Defined Contribution Symposium being held in Half Moon Bay, CA on September 14-15, 2017.

The Committee selected Mr. Myler and Mr. Woodbury to accompany Mr. Boehmer to attend the 2017 NAGDCA conference being held in Milwaukee, WI. Ms. Oliver would be the first option for attending the Fall Institutional Investor Conference along with Mr. Boehmer, and Mr. Boehmer would check with Mr. Myler, Mr. Woodbury, or Chair Stevens as an alternate should Mrs. Oliver not be available to attend.

Mr. Picarelli stated that Segal was offering an educational conference in October. Any of the Committee and Administrative Staff were welcome to attend. The cost of hotel, registration, and food would be covered, but not airfare.

Mr. Boehmer noted that he was planning to attend the Segal conference and intended to pay for the flight out of pocket, unless it could be covered in the budget.

Mr. Woodbury stated that Mr. Boehmer nor any other Committee member should have to personally bare any travel expenses and that if the funds were in the NDC budget or if a work program could be submitted and approved to accommodate this out of pocket travel expense, he would be in favor of that.

14. For Possible Action- Confirm upcoming scheduled meeting date for August 24th, schedule 3rd Quarter Committee meeting for week of December 4-8, and/or any proposed special meetings.

For the quarterly meeting, the Committee proposed Wednesday, December 6, 2017, starting at 11:00 a.m.

Comments/Updates

15. Committee Members

Vice Chair Ervin attended the Institutional Investor conference and appreciated the good information. He joined a roundtable on loans and commented that other plans who used payroll deduction for repayment did not have problems with defaults. He also commented about a big state plan that had their payroll attacked by ransomware and they paid a large ransom. Vice Chair Ervin suggested having a security review from Voya for due diligence. Patrick Cates should be invited to the next Committee meeting.

16. Investment Consultant

Mr. Picarelli commented on the good decisions made by the Committee in enhancing the overall design of the Program's investment structure.

17. Recordkeeper

No comment.

18. Staff Updates

No Comment.

19. Public Comment

No comment.

20. Adjournment

The meeting was adjourned at 2:09 p.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant