



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

August 24, 2017

The quarterly meeting of the Deferred Compensation Committee was held on Thursday, August 24, 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
Karen Oliver
Steve Woodbury
Kent Ervin, Vice Chair
Mark Stevens, Chair

OTHERS PRESENT

Bishop Bastien, Voya	Dianna Patane, Voya
Rob Boehmer, NDC Program Coordinator	Frank Picarelli, Segal Marco
Greg Ott, Attorney General	Micah Salerno, NDC Admin. Assistant

1. Call to Order/Roll Call

Chair Mark Stevens called the quarterly meeting to order for the Nevada Deferred Compensation (NDC) Committee at 9:00 a.m. on Thursday, August 24, 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 Mr. Todd Myler was excused from the meeting due to Interim Finance Committee obligations and that Deputy Attorney General Greg Ott was filling in for the regular Deputy Attorney General for NDC. He also recognized those calling in by telephone.

2. Public Comment

No comments.

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 meetings held on May 3, 2017 and May 24, 2017.

No changes were suggested for either set of minutes.

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

4. For Possible Action – Receive and approve Executive Officer's Report of second quarter 2017.

Mr. Boehmer reviewed his report including a budget and revenue review. He stated the compliance audit fee for \$28,000 was still outstanding but the audit was due to be completed very soon. Ms. Walker from Segal Marco took a sabbatical for a month but would present her report at the next quarterly meeting. They could instruct Admin Services Division (ASD) to pay the invoice at that time or file it as a stale claim after the audit was complete. Mr. Boehmer noted the compliance audit could be completed every 3-5 years depending on the Committee's decision after reviewing the current audit.

Mr. Boehmer continued his report addressing the administrative account and the expense and revenue report. He mentioned the new contract with Eide Bailey for the financial audit would have two years of auditing done concurrently so they could get caught up with the audits. Once the two year contract was complete they would be moving forward with the normal audit schedule. The additional cost of the audit would be about \$28,000 which was not projected for in the budget. They could tap into the reserves to cover the cost and then going into FY19 they would need to add about \$3,000 to meet the contract since the previous budget amount was \$25,000. The legislative budget book was provided for the upcoming biennium.

Mr. Boehmer reviewed the quarterly staff report summary and commented on added communication with political subdivisions which included presentations to Nye County and City of North Las Vegas about joining the Plan. The Voya annual vendor rating was included in the meeting material which showed they met all standards. Mr. Boehmer asked for suggestions or endorsement from the Committee before he submitted the review.

Ms. Karen Oliver noted that achieving the standard rating took a lot of work so Voya should be commended for getting those marks.

Mr. Boehmer stated that a standard rating meant everything was great. To achieve higher than standard, a contractor would have to go outside the scope of work of the contract requirements and documentation would have to be provided for support. The Committee were in agreement on the Voya evaluation.

Mr. Boehmer concluded his report speaking about the Retiree Financial Wellness seminars held in June 2017 and the upcoming Financial Wellness Days for active employees, scheduled for October.

Motion by Mr. Woodbury to accept the Executive Officer's report. Second by Vice Chair Ervin, motion carried unanimously, 4-0.

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 second quarter ending June 30, 2017.

Mr. Frank Picarelli reviewed the financial markets on pages 1-19 from his Analysis of Investment Performance Report for second quarter 2017. The executive summary from page 21 showed the Voluntary Plan assets were at \$759.9 million which was an increase of \$17.6 million over the quarter. The Federal Insurance Contribution Act (FICA) Plan had \$34.4 million in assets so the total Plan assets were \$794.4 million. The loan program was continuing to grow with 379 issued to date with an outstanding balance of \$2.9 million. Plan assets invested in the Stable Value Fund represented \$320.4 million (42.2%) followed by Target date funds at \$91.3 million (12%). The total revenue required for the Voya contract was 15 basis points, as of June 30, 2017, there was a positive of \$11,318 in excess revenue sharing. The Vanguard Mid-Cap Value Index Fund was added to the investment lineup as of April 2017. On page 22 Mr. Picarelli reviewed the fund menu and upcoming changes.

Mr. Picarelli stated the Watch List kept to numeric value to follow the protocol of outperforming the benchmark and peer group for the 5-year period.

FUND	RECOMMENDATION
Parnassus Equity Income	Remain on Watch
American Funds Growth Fund R3	Remain on Watch
Fidelity Contrafund	Remain on Watch
Oppenheimer Main Street Mid Cap	Remain on Watch
Goldman Sachs Small/Mid Cap Growth	Remain on Watch
Franklin Mutual Global Discovery	Remain on Watch
Vanguard Total Bond Market Index	Remain on Watch
Vanguard Developed Markets Index	Remain on Watch
Vanguard Target Retirement Income	Remain on Watch

Vice Chair Ervin inquired about the basis point difference on four funds and wanted to make sure the pricing was correct.

Mr. Picarelli covered plan activity and asset allocation from pages 30-48.

Vice Chair Kent Ervin asked for the prevailing rate for the FICA fund to be included on the report.

Mr. Picarelli continued by looking at FICA Plan Activity. Additionally, Mr. Picarelli looked at fund comparative performance of the Voluntary Plan, and he explained which funds were on watch list due to not beating the peer ranking on the 5 year number.

Committee member Mr. Myler joined the meeting.

Mr. Picarelli wrapped up his report by stating the Vanguard Target Retirement funds would all be at 9 basis points (bps) which was lower than the 10 bps originally expected. Other numbers would be announced in November.

Motion by Vice Chair Ervin to approve the Analysis of Investment Performance report from Mr. Picarelli, second by Mr. Woodbury. Vote on motion was unanimous, 5-0.

Chair Stevens called a five minute break.

6. For Possible Action – Receive approve the Voya Compliance approved final DRAFT of the Fee Structure Amendment Communication Booklet/Brochure and other communication pieces. All of the content and design of these pieces were finalized at the May 25, 2017 NDC Meeting. These are the final Voya Compliance approved drafts of all of the communication pieces for the Committee to approve for formal adoption, execution, and distribution.

Mr. Boehmer noted the final draft of the fee leveling brochure, postcards, statement stuffers and email content were provided for review. All content was finalized at the May meeting so only minor changes could be made to the final communication pieces.

The Committee provided a few corrections on spelling, foot notes, and wording.

Mr. Bishop Bastien with Voya made note of the changes which would be implemented on the final pieces. Final compliance pieces would be provided to the field representatives, the local Voya office and the call center. Printed pieces would be available at the scheduled informational meetings.

Motion by Vice Chair Ervin to approve all communication documents with changes from today. Second by Mr. Myler, motion passed unanimously, 5-0.

7. For Possible Action – Receive report from Voya Financial on the security parameters that they have adopted and maintain to prevent a “ransomware” occurrence or “cybersecurity breach” within their company and more importantly, the NDC Program.

Ms. Dianna Patane presented a report on how Voya keeps their data secure. Security is taken very seriously and they employ “hackers” internally to try and get into their system. They had layers of security controls with independent third-party testing.

No action taken on this item.

8. For Possible Action – Receive disclosure and report from Voya Financial on fees they retain from Morningstar Advisory Services as it related to the NDC Plan Contract, and receive report on how the following plan fees are reported and disclosed to participants:

Mr. Bastien provided fee information.

- a. Core Investment Option Fees (prospectus information)

Whether a participant enrolls online or through a representative, performance reports and fund information are available via hard copy or internet. Employees have access to those reports through the customized website. If a participant wants to get a prospectus they could contact the local Voya office or find it through their online account.

Vice Chair Ervin asked for Voya to bring to the December meeting an example performance sheet showing how revenue sharing was broken down. He wanted it to be explicit, at least in the footnote.

- b. Self-Directed Brokerage Account (SDBA) Fees

Similar to Morningstar, the fees associated are paid for by the participant. The fees were being waived until they reached 100 participants using the option. They just reached that

number so there would be a \$50 annual fee and regular transactional fees with trading. No more than 50% of a participant account balance could be invested in the SDBA option with a \$5,000 minimum balance.

Mr. Bastien noted that Mr. Boehmer would need to monitor K1 forms for tax purposes. If someone was buying shares into a limited partnership, it could create tax implications. It was a Plan level issue that could trigger tax reporting if it was over a certain amount. Mr. Bastien would provide details to Mr. Boehmer.

Vice Chair Ervin requested discussing the SDBA options on stocks and limited partnership at the Planning Meeting.

c. Morningstar Fees

Morningstar charged a 50 bps (basis point) fee to participants that elected to use the **Managed by Morningstar** service. The fee is paid annually and was split fifty-fifty between Morningstar and Voya. The agreement with Morningstar was it would always be an asset based percentage fee. The Voya representatives received no incentive to enroll people in Morningstar.

d. Loan Fees

The loan fees were outside of the scope of the regular program. \$125 is collected with \$100 for loan origination and \$25 coming back to the State for Administrative expenses.

No motion taken on this item.

9. 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 second quarter ending June 30, 2017. Additionally, Dianna will report on the Annual NDC Participant Satisfaction Survey conducted throughout April/May 2017 and concluded in June 2017.

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

A direction letter would need to be provided to Nevada System of Higher Education (NSHE) to allow them to enroll participants through their new Workday system which was to be implemented October 1, 2017.

Mr. Boehmer remarked that since the large cash out of Small Inactive Accounts was completed, it would be simpler and more effective to move to an annual Small Inactive Account cash out with the option to go back to a semiannual cash out, if needed. It would be easier on NSHE and easier for the NDC office to monitor.

Ms. Patane concluded her quarterly report talking about quarterly activities and participation. She then reviewed the data from the 2017 participant survey.

Vice Chair Ervin suggested the idea of removing some of the plan design questions to shorten the survey. He shared some of his survey calculations compared with the 2016 data.

Mr. Boehmer noted that he would provide Vice Chair Ervin’s data to the Committee and Voya.

Motion by Mr. Woodbury to accept the Voya report, second by Vice Chair Ervin. Motion passed unanimously, 5-0.

11. For Possible Action- Review, discuss, and decide what Committee member along with the Executive Officer will attend the Institutional Investor Defined Contribution Summit being held in Boston, MA on November 6-7, 2017. As a reminder, Institutional Investor will sponsor costs for our Executive Officer and one other Committee member.

Mr. Boehmer explained a change in the Institutional Investor conferences and that they would still cover the cost for Mr. Boehmer and one other person to attend one conference in the fall and one in the spring. For fall 2017 he felt the Summit was the best choice and was being held in Boston, MA in November. Chair Stevens was selected to attend the Boston conference with Mr. Boehmer with Mr. Woodbury as a backup.

12. For Possible Action – Confirm upcoming scheduled meeting date for December 6, 2017 starting at 11:00 am, schedule Annual Strategic Planning Meeting in January 2018, and/or any proposed special meetings.

The Committee confirmed the meeting date for December 6, 2017, starting at 11:00 a.m. It would be scheduled at Mr. Woodbury's office and staff could set up lunch delivery. The Planning Meeting date was proposed for January 18, 2018, and February 21, 2018, for the regular quarterly meeting.

10. Informational Item- Discussion and review of administrative items and processes that will or may be associated with the passage of SB502 and the NDC Program being moved under the direction and oversight of the State of Nevada Department of Administration (DOA). DOA Director, Patrick Cates, will be in attendance to answer any questions and discuss any pertinent information.

Chair Stevens stated that he had a good meeting with Mr. Cates a few weeks back. He could ask him to attend the next meeting if he was available.

Vice Chair Ervin felt a conversation with Mr. Cates and the Committee would be good. Regarding SB 502 they should review regulations to be compatible on the RFP process and the Administrative Manual.

DAG Ott explained that in order to update regulations they would need to give a 15 day notice for a workshop, followed by a 30 day notice for the public hearing. In order to schedule the public hearing they needed have to have approved language back from the Legislative Counsel Bureau, which could take 30-90 days. The workshop could be incorporated into a regular Committee meeting.

Mr. Boehmer commented that they would need to amend the Administrative Manual and he would review the regulation information specifically regarding the RFP process.

Comments/Updates

13. Committee Members

No comments.

14. Investment Consultant

No comment.

15. Recordkeeper

Mr. Bastien had two comments. First, Voya rolled out loan modeling in the participant website so they could see what the impact would be on their account over time. He could show a demonstration at a future meeting. Second, in reference to fiduciary legislation in the state, SB 383, intent was to make any broker, dealer, sales representative, investment advisor, or any other representative of investment funds would need to to comply with fiduciary duty. Fiduciary duty was not explicitly stated in the statute. The bill was currently with the Secretary of State and no action was taken on it yet with regard to determining regulation and how it would be carried out. Depending on what Nevada did with the bill it could create a dual regulatory environment, which was a concern to Voya. They would continue to monitor and they had outside counsel engaged on their behalf as well as the entire industry. It would get more attention moving into fall season but Voya would keep the Committee updated on any changes. Voya was hoping the State would fall back to Department of Labor standards.

16. Administrative Staff/Department of Administration Updates

No Comments.

17. Public Comment

No comment.

18. Adjournment

The meeting was adjourned at 12:50 p.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant