



Brian Sandoval, Governor

COMMITTEE
Mark Stevens, Chair, Retired
Kent Ervin, Vice Chair, NSHE
Wayne Thorley, SOS
Debbie Bowman, DHHS-ADSD

STAFF
Rob Boehmer, Program Coordinator
Micah Salerno, Administrative Assistant
Greg Ott, Acting Deputy Attorney General

DEFERRED COMPENSATION COMMITTEE QUARTERLY MEETING MINUTES

February 21, 2018

The quarterly meeting of the Deferred Compensation Committee was held on Thursday, February 21, 2018, at 9:00 a.m. in room 2135 of the Legislature Building, 401 South Carson Street, 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 website at: <http://defcomp.nv.gov/Meetings/2018>.

COMMITTEE MEMBERS

Debra Bowman
Wayne Thorley
Kent Ervin, Vice Chair
Mark Stevens, Chair

OTHERS PRESENT

Rob Boehmer, NDC Executive Officer	Dianna Patane, Voya
Jose Mahomar, Goldman Sachs	Frank Picarelli, Segal Marco
Kevin Ng, Goldman Sachs	Micah Salerno, NDC Admin. Assistant
Greg Ott, Acting Deputy Attorney General	Michelle Williams, Voya

1. Call to Order/Roll Call

Chair Mark Stevens called the quarterly meeting to order for the Nevada Deferred Compensation (NDC) Committee at 9:04 a.m. on Thursday, February 21, 2018.

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

Chair Stevens recognized those calling in by telephone. He welcomed new Committee member, Ms. Debbie Bowman.

2. Public Comment

No comments.

Chair Stevens noted that Mr. Todd Myler resigned his Committee appointment due to his new position because it created a potential conflict of interest. He thanked Mr. Myler for his service.

3. For Possible Action – Approval of Committee meeting minutes from meeting held on December 6, 2017

Mr. Boehmer commented that DAG Ott recently notified him of a new law about presenting minutes for approval within 45 days of a meeting taking place or at the next scheduled meeting. That meant the December minutes should have been approved at the January meeting and the January minutes at the February meeting. Due to the close meeting dates and limited staff it was almost impossible to have the minutes prepared in that timeframe.

DAG Ott confirmed that the Statute stated the minutes were to be approved within 45 days or at the next meeting but there was a caveat that said “for good cause” so there could be an exception. Since his discussions with Mr. Boehmer were close to the current meeting and due to limited staff and that knowledge of the law came at a late time the determination of good cause would likely apply. Their discussion was to try and not put themselves in that position again so they were in compliance with the law.

The Committee suggested looking into transcribing services and bring information back to a future meeting.

Chair Stevens emailed a few corrections to Ms. Salerno from pages 4, 5, and 6. She would incorporate those corrections.

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

4. For Possible Action – Receive, discuss, and approve Executive Officer’s Report of fourth quarter 2017

Mr. Boehmer reviewed his quarterly report with a budget and revenue review. He remarked that they would like to add a training category to the budget, as suggested by the Director of Finance, moving funds from out of state travel. Mr. Boehmer commented on the budget status and details by expenditure and noted that the projections were dialed in for the rest of the fiscal year. They had built in projections for the financial audit using money from reserves and going forward the financial audit would be included in the budget projections. The reserve was about 102 days which was a little high, but NDC was not a typical agency and did not use general fund dollars. They would continue to monitor the revenue and would be billing at the end of March to bring more revenue in from the administrative account.

Vice Chair Ervin asked about the administrative charge and how the fees were assessed.

Mr. Boehmer explained the revenue share was under the old arrangement for the first and second quarters of fiscal year 2018 and quarters three and four of fiscal year 2018 would be under the new model.

Vice Chair Ervin asked if the number of participants with accounts over \$1,000 would vary throughout the year as well as the administrative fee being assessed.

Ms. Patane stated that January 1 of each year was when the account value was established so new accounts or ones that reached over \$1,000 during the year would not be assessed the fee until the following year.

Mr. Boehmer asked the Committee if that was their understanding that the account value would only be determined at the beginning of each year.

Chair Stevens stated if it was administratively possible, they should be picking up fees for anyone going over \$1,000 as soon as possible.

Ms. Patane remarked they could change the frequency, but they would need a direction letter stating when the Program wanted the data to be pulled.

Vice Chair Ervin suggested any rollovers that were over \$1,000 should be charged the quarterly fee at the next administratively possible date. New participants could wait until the first of the year, but rollovers should pay their fair share.

Ms. Patane noted that administratively it would be better to choose a specific date instead of doing the change on a per account basis.

Mr. Boehmer commented that the publications on the change stated they would look at the account value on January 1 each year.

Vice Chair Ervin recommended Mr. Boehmer work with Voya and come back with a proposal of how to make the change and necessary communication. At the next meeting, report on what it would have been on April 1 so they could get an idea of what the impact would be.

Chair Stevens commented on the worksheet which assumed they would bring in 2 quarters with the previous revenue share and 1 quarter with new arrangement in the current fiscal year. Based on past delays in receiving funds from Voya they should assume the funds would not be received in time to apply to the current fiscal year.

Ms. Patane had spoken with Mr. Zujko and there was a new process where the funds could be received within a few days.

Mr. Boehmer continued his report highlighting the quarterly staff report. He gave a brief summary on the financial audits and explained there had been some delays due to issues with NSHE and Workday, year-end reports, and workload in the payroll centers because of W-2 preparation. The contractor blocked out a period of time to work on our audit but with the delay in receiving data to analyze, the contract could have to be extended.

Mr. Boehmer completed his report mentioned his meetings with other entities on joining the Plan as well as the upcoming Retiree Wellness Fairs. He spoke about the regulation update and requirements about scheduling the hearing. The last item he discussed was hiring a temporary employee to help out with the workload in the NDC office. He had reviewed the justification with Mr. Cates and provided a memo of justification of why it would be helpful to have another employee. As the Plan had grown it was hard to manage all the necessary work with 1.75 employees.

Chair Stevens asked for an outline of duties that a part-time employee would be responsible for and what it would allow Mr. Boehmer and Ms. Salerno to accomplish with the extra time.

Mr. Boehmer explained that because of the increase in participation to the Program that there had been an increase in assistance to participants, and the majority of Ms. Salerno's time was spent handling emails, phone calls, and processing of forms. A new employee would be

responsible for processing and routing all the service requests pertaining to the Program along with email and phone calls to assist participants. That would free up time for Ms. Salerno to support Mr. Boehmer with special projects, tracking payroll distribution data, and would allow greater interaction with the payroll centers, HR, and personnel to hopefully improve employee engagement and customer service throughout the Program. Ms. Salerno would be supervising the employee and developing a job description, duties, and work performance standards.

The Committee discussed the cost involved with hiring another employee and acknowledged the need to maintain a professional operation and administrative support for the program participants. They suggested looking into having the minutes done by transcription in an effort to decrease workload and ensure the Program meets the guidelines pursuant to NRS 241.

Mr. Boehmer related that the total cost for a temporary employee would be \$17-20 per hour which included the fee to a temporary service contractor. He was not concerned with covering the cost for the rest of fiscal year 2018 as there was an excess of close to \$10,000. Fiscal year 2019 would be where they might have to use reserve money to cover the wages, and he planned on building the expense into the budget for the upcoming fiscal year biennium.

Vice Chair Ervin and Mr. Thorley agreed to the expenditure for the rest of the fiscal year and to evaluate how it worked for the last quarter of the fiscal year, look into the cost of getting the minutes done by transcription, and give a report at the next meeting.

DAG Ott shared that NRS 241.035 listed the requirements of minutes.

Motion by Mr. Thorley to hire a temporary employee and let Mr. Boehmer manage their time through end of the fiscal year but the cost should not exceed the excess in Budget Category 1, with the intent that the Committee would come back and make a decision whether to continue into the next fiscal year. The motion also accepted 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 fourth quarter ending December 31, 2017.

Mr. Frank Picarelli contacted Vanguard to look at the total relationship with the NDC Plan and asked about the ability to move to the retirement trust series to a lower share class. The threshold was \$250 million and the Program was at \$150 million. Vanguard was willing to look at the total relationship when they got close to \$200 million in the target date series which would bring the cost down 1 basis point (bps) from 9 bps to 8 bps. Continuing, Mr. Picarelli reviewed the financial markets on pages 1-19 from his Analysis of Investment Performance Report for fourth quarter 2017. The executive summary from page 22 showed the Voluntary Plan assets were at \$801.6 million which was an increase of \$23.5 million over the quarter. The Federal Insurance Contribution Act (FICA) Plan had \$36.8 million in assets so the total Plan assets were \$838.4 million. The loan program was continuing to grow with 443 issued to date with an outstanding balance of \$3.4 million. The majority of Plan assets were invested in the Stable Value Fund at \$318.5 million (39.7%) followed by Target date funds at \$150.7 million (18.8%). The total revenue required for the Voya contract was 15 basis points, as of December 21, 2017, there was a negative of \$3,305 in excess revenue sharing.

Mr. Picarelli reviewed the Watch List from page 26.

FUND	RECOMMENDATION	DATE PUT ON WATCH
Vanguard Developed Markets Index	Remain on Watch-5 year performance under benchmark in excess of 20bps	June 30, 2017
Oppenheimer Main Street Mid Cap	Remain on Watch-5 year performance under benchmark and peer, recommend fund search for 2018	December 31, 2016
Goldman Sachs Small/Mid Cap Growth	Remain on Watch-5 year performance under benchmark and peer, recommend fund search for 2018	December 31, 2016
Franklin Mutual Global Discovery	Remain on Watch-5 year performance under benchmark and peer, recommend mapping to current funds or conduct search in 2018	June 30, 2017

Mr. Boehmer commented they needed to work with Voya to get correct data on the number of participants paying the administrative fee.

Vice Chair Ervin asked for a net cost column to be included on future reports.

Mr. Picarelli covered plan activity and asset allocation along with FICA Plan Activity. Additionally, Mr. Picarelli looked at fund comparative performance of the Voluntary Plan.

The Committee requested the loan numbers be cleaned up so the correct information was reported. Work with Voya to determine who would report the data.

Motion by Vice Chair Ervin to accept the Analysis of Investment Performance report and recommended watch list from Mr. Picarelli, second by Ms. Bowman. Vote on motion was unanimous, 4-0.

6. Informational Item – Receive presentation and report from Goldman Sachs Asset Management

Mr. Jose Mahomar and Mr. Kevin Ng from Goldman Sachs provided an educational presentation about the investment strategies, equity team, and research views that lead Goldman Sachs. Their approach was to invest in quality, durable, business owners. They did well during the financial crisis but low number in 2013 had an effect on their long term average. They reviewed their holdings and sector weights and remarked that they were drawn to real businesses, not flashy or trendy, but ones that were good for long term growth.

The Committee thanked the team for presenting.

Chair Stevens called a 30 minute lunch break.

7. For Possible Action – Receive and approve changes made to the NDC Investment Policy Statement as a result of what was proposed at the NDC Planning meeting held on January 18, 2018.

Mr. Boehmer worked with Mr. Picarelli on the changes made to the Investment Policy Statement. They included changes on how revenue was generated and made it in line with the communication pieces that had been sent to participants.

Motion by Vice Chair Ervin to approve the changes in the document presented with specific items mentioned, removing the January 1 date, changing the terminology of provider/recordkeeper to be more consistent, and change the market index to not be specific but call it the market index for that investment category, and update program coordinator terminology. Second by Mr. Thorley, motion carried unanimously, 4-0.

8. For Possible Action – Receive report and possible discussion on the Fee Leveling Transition being communicated and implemented within the NDC Program.

Mr. Boehmer gave an update on how things had gone during the fee level transition and what they anticipated going forward with the April statement.

Ms. Patane commented that they had not received many complaints or phone calls. Information was included on several emails, post cards, and on the quarterly statements. They expected calls and more questions with the April statement.

Chair Stevens asked for an update at the next quarterly meeting.

9. For Possible Action – Receive and discuss information requested on the TD Ameritrade Self Directed Brokerage Account (SDBA) at the January 18, 2018 NDC Planning Meeting

Ms. Williams provided data on the SDBA account and explained that only three plans out of thousands that Voya recordkept allowed more than 50% of a participants account value to be invested in a SDBA. She also had information on the follow up questions about the Voya Fixed Account from the January meeting.

Vice Chair Ervin appreciated the information but noted there was a lot that they could not know about the Voya Fixed Account because of proprietary information. So they had to rely on the Investment Consultant and education on stable value funds.

Mr. Boehmer provided a recap of the participant who contacted the office to request an increase in the limit for the SDBA window.

Vice Chair Ervin commented that the data presented by Voya persuaded him not to make a change. Out of many plans and hearing only three allowed higher than 50% investment, NDC should not be out of range of other plans, especially coming into an RFP.

Chair Stevens was of the same opinion as Vice Chair Ervin and believed they should retain the current policy.

No motion was made.

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's, Dianna Patane of Voya Financial for fourth quarter ending December 31, 2017

Ms. Patane went over the items in the Voya fourth quarter report including information on rollovers, distributions, loans, and the Voya Fixed Account. She also provided an update on beneficiary data remarking that the missing beneficiary data had decreased since NSHE changed payroll systems. NSHE no longer captured the beneficiary information in Workday.

Vice Chair Ervin was disappointed to see the decrease from NSHE and difficulty in getting the data. He wondered if there was a regulatory requirement to capture the beneficiary.

Chair Stevens stated they should check with Ms. Walker at SegalMarco on regulatory requirement and try and come up with some possible solutions.

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

11. For Possible Action – Receive updated DRAFT NDC Governing Documents

Mr. Boehmer spoke with Ms. Melanie Walker with SegalMarco to get legal advice on the Plan Documents. The marked up document provided in the material included Ms. Walker's edits in blue, Mr. Boehmer's suggestions in red, and the green items were Ms. Walker's reply to Mr. Boehmer's suggestions.

After discussion the Committee decided to appoint a subcommittee to work with legal counsel and Ms. Walker to update the documents.

Motion by Mr. Thorley to appoint Chairman Stevens and Vice Chairman Ervin to a subcommittee to review the plan documents and any related material. Second by Ms. Bowman, motion carried unanimously, 4-0.

12. Informational Item – Receive update and recommendation in preparation to schedule and hold a Regulation Hearing to amend current regulations as a result of the passage of Nevada Legislative Senate Bill 502 (SB502)

Mr. Boehmer spoke about the proposed working of the regulation change.

The Committee discussed variations of what to include in the language change.

DAG Ott reviewed the steps that were necessary in order to change regulation.

Mr. Boehmer would get everything together and schedule a workshop.

13. For Possible Action – Review, discuss, and decide what Committee member along with the Executive Officer will attend the Institutional Investor Defined Contribution Roundtable being held in Chicago, Illinois on April 30-May 1, 2018

Chair Stevens inquired if any of the members were available to attend the conference. After discussion, he designated Mr. Thorley to attend with Mr. Boehmer and he could be the backup, if needed.

14. For Possible Action – Election of Committee Chair. 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 may designate a Vice Chair.

Due to the changes in the Committee, Mr. Thorley suggested keeping Mr. Stevens as Chair and Dr. Ervin as Vice Chair until the new members became more familiar.

Vice Chair Ervin was fine keeping it the same and was happy to serve as Vice Chair.

Motion by Mr. Thorley to have Mr. Stevens continue as chair and Dr. Ervin as vice chair for the year. Second by Ms. Bowman, vote carried unanimously, 4-0.

15. For Possible Action – Schedule May and August 2018 Quarterly Committee meetings

The Committee proposed May 21, 2018 and August 23, 2018 for the next quarterly meetings.

Comments/Updates

16. Committee Members

No comments.

17. Investment Consultant

No comment.

18. Recordkeeper

No comments.

19. Administrative Staff/Department of Administration Updates

No comments.

20. Public Comment

No comment.

21. Adjournment

The meeting was adjourned at 2:58 p.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant