



Steve Sisolak, Governor

COMMITTEE  
Mark Stevens, Chair, Retired  
Kent Ervin, Vice Chair, NSHE  
Wayne Thorley, SOS  
Debbie Bowman, DHHS-ADSD  
Matt Kruse, East Fork FPD

STAFF  
Rob Boehmer, Executive Officer  
Micah Salerno, Administrative Assistant

Henna Rasul, Senior Deputy Attorney General

## DEFERRED COMPENSATION COMMITTEE PLANNING MEETING MINUTES

January 16, 2019

The annual planning meeting of the Deferred Compensation Committee was held on Wednesday, January 16, 2019 at 9:00 a.m. in the Nevada State Library and Archives, 100 North Stewart Street, Conference Room 110, Carson City, Nevada. Attendees participated in person.

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/2019>.

### COMMITTEE MEMBERS

Debbie Bowman  
Matt Kruse  
Wayne Thorley  
Kent Ervin, Vice Chair  
Mark Stevens, Chair

### OTHERS PRESENT

Bishop Bastien, Voya  
Rob Boehmer, NDC Program Coordinator  
John Borne, Prudential  
Scott Darcy, Voya  
Mike Desmarais, Vanguard  
Susan Fisher, McDonald Carano  
James Headley, Morningstar  
Laura Heese, ICMA-RC

Scott Hudson, Voya  
Tom Idzorek, Morningstar  
Carl Mariner, Vanguard  
Dianna Patane, Voya  
Frank Picarelli, Segal Marco  
Henna Rasul, Deputy Attorney General  
Micah Salerno, NDC Admin. Assistant

### 1. Call to Order/Roll Call

Chairman Mark Stevens called the annual planning meeting to order for the Nevada Deferred Compensation (NDC) Committee at 9:01 a.m. on Wednesday, January 16, 2019.

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

### 2. Public Comment

No comments.

3. For Possible Action- Approval of Nevada Public Employees' Deferred Compensation Program (NDC) Committee (Committee) meeting minutes for public meetings held on December 11, 2018.

**Motion by Vice Chair Ervin to approve the minutes from December 11, 2018. Second by Mr. Kruse, motion passed unanimously, 5-0.**

4. For Possible Action- Investment Grid/Option Plan Review

- a. Voya and Segal Marco to present transition and communication Plan of investment option changes made at the December 11, 2018 quarterly Committee meeting.

Mr. Bastien remarked on the upcoming fund changes and the internal process Voya went through to make sure the funds were available. The changes were mapped out and everything was set and ready to go. A sample of the communication piece was provided, and they were on track to make the changes as of March 1, 2019.

Mr. Bastien noted that Voya was continuing to work on the transition for Nye County with communication and information on mapping. Their implementation team needed to work with the two current vendors to work out a mutually agreeable date for the transition. They needed to clear any hurdles with liquidity of assets based on a put provision and/or Market Value Adjustment (MVA). The funds will be mapped to like funds on the State platform but may be transferred at different times due to stable value MVA and/or a Put notification.

Mr. Darcy reviewed the communication piece for the fund changes. Instructions were included if participants wanted to make any changes prior to the transfer.

Mr. Picarelli noted they should take out the investment fee information on the communication piece because of the change to the Plan fee structure. It was purely an investment management decision.

- b. Vanguard Institutional Investors Group presentation.

Mr. Desmarais and Mr. Mariner delivered a presentation on Fair Value Pricing, an overview on Target Retirement Funds, and Developed Markets Index Funds.

Mr. Picarelli would work with Mr. Desmarais and Mr. Mariner to use the correct tracking benchmark for accurate numbers.

Chair Stevens asked for a recommendation for the tracking error to trigger the watch list.

Mr. Mariner commented the tracking error should not cause the funds to go on watch list but a change in underlying composition of the target date fund. They should see consistency and reasonableness in the fund, risk adjusted returns, exposures, and comfort with the glide path. He cautioned against a firm number because fair value pricing could rule it out and lead to an incorrect conclusion.

Mr. Desmarais could have their strategic consulting group look to see what other plan sponsors were doing to monitor their target date funds.

- c. Discuss any other Investment Grid, investment option changes, or recommendations.

Mr. Kruse was pondering why they should have managed funds in the lineup. At NAGDCA he heard more about indexing through industry examples. The Program could have a simple grid of indexed options so people could diversify if they wanted. As fiduciaries, he wanted to have a discussion to see if it made sense to move to a simple, low-cost program.

Vice Chair Ervin appreciated the question and suggested they look at if the Plan was providing extra value all with the active funds and evaluate the performance since they had been part of the lineup. In addition, was there extra value in a Committee and Investment Consultant providing a few active funds versus people just going to the brokerage window?

Mr. Picarelli would take a look at using all index funds, it was a big, philosophical decision. With the new fee model, it would be simpler to make changes for active funds.

Chair Stevens called a five-minute break.

5. For Possible Action- Conduct annual review and discussion of current NDC governing documents and plan design. Committee may recommend any amendments or changes to the following:

a. Investment Policy Statement (IPS)

Mr. Boehmer implemented the recommended changes to the IPS based on the December quarterly meeting. He could move forward with the changes of removing the global equity section from the grid, if the Committee approved.

b. 457(b) Plan Document

The missing beneficiary issue was discussed with consideration for adding a default beneficiary clause in the document.

Ms. Patane noted there was current language in the document that a surviving spouse could get a cash out of the account.

Since the document listed the surviving spouse, and then the estate, if no beneficiary was listed, the Committee did not see any reason to make any additional changes. The Committee still wanted to see the beneficiary data reported at the quarterly meetings.

c. Federal Insurance Contributions Act (FICA) Alternative Plan Document

No changes were suggested for the FICA Plan Document.

d. Administrative Manual

The changes implemented on the draft document modeled decisions already made in the Plan Document.

Vice Chair Ervin suggested adding language for a check list for self-evaluation of the Committee and staff on an annual basis. Develop a section for annual, self-evaluation from a Program point of view with a check list and evaluate the Program strategic plan and goals. Vice Chair Ervin suggested that Mr. Boehmer get together with the NDC

contracted Investment Consultant and see if their team had a checklist that we might be able to use and incorporate in the policy.

Mr. Picarelli stated Segal had a checklist he could provide.

**Motion by Mr. Thorley to approve the Investment Policy Statement, 457 voluntary and FICA Plan Documents, and Administrative Manual, as proposed, with adjustment from Vice Chair Ervin for staff to develop a paragraph concerning the annual checklist and evaluation. Second by Ms. Bowman, motion passed unanimously, 5-0.**

e. Discuss and review any proposed future Plan initiatives and/or Plan design changes

Mr. Boehmer mentioned the possibility of implementing auto features.

Chair Stevens commented it would be a good discussion with the new administration to see if they would support auto enrollment as a goal. Possibly pursue it in the last half of the year.

The Committee asked DAG Rasul to check if legislation was needed to implement auto features.

6. For Possible Action- Receive and discuss Marketing/Education Administrative Plan for 2019.

a. Annual Participant Satisfaction Survey

Mr. Boehmer noted that going forward the annual survey would focus solely on the recordkeeper. Department of Administration did its own survey that included the NDC Program.

Mr. Darcy asked when they wanted the survey to go out and how many questions should be included. He could have the survey prepared within six weeks.

Mr. Boehmer and Mr. Darcy would work on getting survey questions together for the March meeting.

b. Review overall Plan Participation, Marketing, and Communication

Ms. Patane provided data on meetings held by Voya representatives including one-on-ones and group visits. She talked about enrollments, transfers/rollovers, and historical comparisons on that data.

Mr. Darcy covered statistics on consumer and digital trends and plan engagement for NDC participants. He shared information on some personalized messaging Voya had used and data driven insights resulting from the personalized messages. There were three new financial wellness campaigns with Voya that he reviewed to show some options for possible participation. He concluded his presentation with 2019 goals and objectives and an overview of all the communication that went out in 2018.

The Committee asked for information on the three campaigns so they could decide on which messaging would be most beneficial for the Plan.

Chair Stevens called a lunch break.

Mr. Hudson spoke about technology and security with Voya and gave a tour of their website and the “My Orange Money” features.

Mr. Headley and Mr. Idzorek with Morningstar delivered a Managed Account Review showing the advantages of managed accounts and the research and data that goes into building optimal portfolios for the participants who use the service.

Chair Stevens left the meeting at 1:56 p.m.

Mr. Boehmer asked about outreach to other political subdivisions. Was there a desire to grow the Plan with new entities? How much time should be dedicated to that type of outreach?

Vice Chair Ervin recommended waiting under the second half of the year for outreach since the RFP would be decided and the transition with Nye County would be complete.

- c. Retiree Financial Wellness Fair (June 2019 timeframe)
- d. National Financial Security Week- State of Nevada Financial Wellness Days (October 2019)

Mr. Boehmer asked if they should change the format from previous years since each year there are more repeat attenders. He considering looking into recording some videos for webinars or something different. The fairs take a good portion of staff time and incur costs for travel.

Vice Chair Ervin liked the idea of recording and creating videos as a starting point for future, on-demand, workshops.

7. For Possible Action- Discuss and review adopted policy governing conducting Compliance and Financial Audits within the Program.

Mr. Boehmer noted the last Compliance audit was conducted in 2017 by Melanie Walker with Segal Marco. Traditionally the compliance audit was performed every 3-5 years. Since the Investment Consultant RFP would be coming up, he believed they should wait for that contract to be complete before the next Compliance audit.

The contract was initiated with Eide Bailly so the FY2018 financial audit would be starting soon and were scheduled to be completed prior to June 30, 2019.

8. For Possible Action- NDC contract(s) RFP Development, current contract review, and discuss Program contract evaluations.

- a. Recordkeeping Request for Proposal (RFP) Review

Mr. Boehmer emailed the most up-to-date RFP prior to the meeting. They were still waiting on participant data by county and FICA numbers and they intended to release it by the end of January. The questionnaires were dialed in, but they needed to go over the score sheets and how to break down percentages.

Chair Stevens returned to the meeting at 3:28 p.m.

The Committee and others had a lengthy discussion about the score sheets, scenarios, and stable value product for the RFP.

Ms. Miller from Purchasing joined the meeting and explained some of the questions on the scoring sheets. There would be separate scoring for the 457b voluntary and FICA plans. Technical scores were done first, followed by scoring the cost.

The Evaluation Committee would do the technical proposal first, then they would get cost proposals. They would decide which scenario to go with and then separately score that scenario as part of the cost proposal.

**Motion by Vice Chair Ervin to assign weights for the 457b scoring sheet: Participant Services at 30, Plan-level Services at 20, Stable Value/Cost at 30, Demonstrated Competence at 5, Key Personnel at 5, Experience of Comparable Engagements at 5, and Conformance with Terms of RFP at 5. The FICA score sheet weights would be the same except Participant Services would be 20 and Plan-level Services 30, (Stable Value/Cost 30, and the last four categories were all 5). Second by Mr. Kruse, motion passed unanimously, 5-0.**

Mr. Boehmer shared that Mr. Steve Edmondson would be serving on the Evaluation Committee along with the NDC Committee.

Vice Chair Ervin asked Mr. Picarelli to share what the options were in the non-proprietary, stable value universe, and to give his choice of the top three if he were doing a fund search.

b. Existing Contract expirations, review, and discussions:

The Investment Consulting contract extension was included in the material and was going to Board of Examiners for approval. The financial audit contract with Eide Bailly was approved.

c. Mandatory Vendor Rating Evaluations discussion and review,

Mr. Boehmer provided the vendor rating worksheets for the three contract and requested the Committee give any feedback prior to completing and issuing the evaluations. He asked for them to be returned by the end of January 2019.

9. For Possible Action- Discuss participation in training opportunities.

a. National Association Government Defined Contribution Administrators (NAGDCA)

Mr. Boehmer shared the annual conference was scheduled for September in New Orleans, Louisiana. He believed it was important to have several Committee members attend the NAGDCA conference.

b. Segal Marco's Client Research and Educational Summit

Mr. Picarelli stated this year there would be a \$1,600 registration fee and the participants would have to pay for their hotel.

Mr. Boehmer noted there were not enough funds in the training budget to cover those costs.

c. Voya's Client Summit

Mr. Boehmer noted they were invited to attend the Voya Summit, but thought it would not be appropriate to attend because of the RFP being released.

10. For Possible Action- Schedule the NDC 2<sup>nd</sup> Quarterly Committee meeting for May/June 2019 timeframe or any other special meetings.

The Committee suggested Wednesday, June 5, for the second quarterly meeting date. March 1 was confirmed for the first quarterly meeting.

The Committee asked about the timeline for the RFP.

Ms. Miller commented the tentative release was January 30. There would be two to three weeks for questions and one to two weeks for responses. They usually allow three to four weeks for vendors to submit proposals. The Evaluation Committee would need at least two weeks to evaluate the proposals.

Mr. Picarelli needed the proposals for four weeks to review and provide analysis with everything laid out side by side. He would not be making suggestions on scoring. Mr. Boehmer and Ms. Miller would review Mr. Picarelli's analysis before providing the information to the Evaluation Committee.

Ms. Miller reminded the Committee that they could not talk to anyone about the components or costs of the proposals. The vendors should be given three weeks' notice for the finalist presentations.

This timeline allowed the Evaluation Committee to have until the end of May for the finalist evaluations, the Committee could confirm the selection at the June meeting, and the contract would go to Board of Examiners in August 2019.

11. Committee Members comments

No comments.

12. Update from Investment Consultant

No comments.

13. Update from Recordkeeper

No comments.

14. Administrative Staff/Department of Administration Updates

No comments.

15. Public Comment

No comments.

16. Adjournment

The meeting was adjourned at 4:47 p.m.

Respectfully submitted,

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Micah Salerno  
NDC Administrative Assistant