



Brian Sandoval, Governor

COMMITTEE  
Mark Stevens, Chair, Retired  
Kent Ervin, Vice Chair, NSHE  
Todd Myler, DHHS  
Wayne Thorley, SOS

STAFF  
Rob Boehmer, Program Coordinator  
Micah Salerno, Administrative Assistant

Greg Ott, Acting Deputy Attorney General

## DEFERRED COMPENSATION COMMITTEE PLANNING MEETING MINUTES

January 18, 2018

The annual planning meeting of the Deferred Compensation Committee was held on Thursday, January 18, 2018 at 8:30 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/2018>.

### COMMITTEE MEMBERS

Todd Myler  
Wayne Thorley  
Kent Ervin, Vice Chair  
Mark Stevens, Chair

### OTHERS PRESENT

Rob Boehmer, NDC Program Coordinator  
Tony Camp, Voya (on phone)  
Scott Darcy, Voya  
Christopher Goldsmith, Segal Marco  
Chris Hogan, Voya (on phone)

Jay Jorgensen, Voya (on phone)  
Greg Ott, Deputy Attorney General  
Dianna Patane, Voya  
Frank Picarelli, Segal Marco  
Micah Salerno, NDC Admin. Assistant  
Michelle Williams, Voya

### 1. Call to Order/Roll Call

Chairman Mark Stevens called the quarterly meeting to order for the Nevada Deferred Compensation (NDC) Committee at 8:31 a.m. on Thursday, January 18, 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 thanked Ms. Karen Oliver and Mr. Steve Woodbury for their time serving the NDC Committee and welcomed new member, Mr. Wayne Thorley.

### 2. Public Comment

No comments.

3. Informational Item- Receive Annual Fiduciary Training- Presented by Frank Picarelli of Segal Marco.

Mr. Frank Picarelli reviewed fiduciary training including who was and was not a fiduciary and what their duties included. He covered what the roles of the Committee, staff, and advisors were, and summarized governance and fiduciary best practices.

Mr. Boehmer asked about plan sponsors having insurance in the industry to cover the Committee.

Mr. Picarelli remarked that there was liability coverage available but he had not seen them too often in government plans.

Deputy Attorney General (DAG) Greg Ott noted that the State of Nevada had a Tort Claim Fund but it was not necessarily an insurance policy.

Vice Chair Ervin noted that Senate Bill 383 expanded fiduciary duty of financial planners to include broker-dealers. It could apply to Voya Representatives but was not positive as they have Morningstar to refer to for recommendations.

Mr. Thorley commented that the Secretary of State's office was working to finalize the new rules.

Mr. Boehmer stated they would have to consider the new rules when it became final. He was watching it closely and was involved with the securities director with Secretary of State.

4. Informational Item- Receive *Behavioral Finance Investment Decisions* Training- Presented by Segal Marco's Christopher Goldsmith.

Mr. Picarelli introduced Mr. Christopher Goldsmith with Segal Marco who was an expert on behavioral economics and finance.

Mr. Goldsmith gave an informative presentation on behavioral economics and how they might help participants and the Committee.

5. Informational Item- Receive Annual Open Meeting Law & Ethics Training- Presented by Deputy Attorney General (DAG).

DAG Ott briefly covered information on Open Meeting Law including requirements for meetings and agendas, public body, sub-committees, and how to avoid a violation.

Chair Stevens called a five minute break.

Following the break, DAG Ott reviewed Ethics Training for public officers.

6. For Possible Action- Investment Option Plan Review:

a. Presentation from Voya Fixed Income Investment Team

Mr. Tony Camp with Voya joined the meeting by telephone to give a presentation overview on the Voya Stable Value and Fixed Account product. The objective of a stable value account was to preserve principal. The general account had a 1% minimum

guarantee lifetime floor but the Nevada rate was guaranteed at 2.5%. The general account was not insulated from claims of creditors if the company became insolvent and the crediting rate formula was proprietary. In comparison, the separate account was more transparent in fees and crediting rate formula which would be disclosed in a contract, and it was insulated from claims of creditors if the insurance company became insolvent. Mr. Camp noted that the NDC contract included a 5 year put in place of a market value adjustment in order to be ready for plan-level surrender at the end of the contract term.

Mr. Picarelli commented that in the past the Committee went through the distinctions between a separate and general account because it made a difference in the decisions they made for the program and during the RFP process.

Mr. Picarelli also stated that NDC would have to initialize a 12 month put for the last year of the contract so they could get a book out at the end of the contract. A letter would need to be sent prior to December 31, 2018, to begin the put notification so funds would be in liquid position at the end of the contract.

Mr. Camp continued his presentation speaking on the ratings of Voya Financial noting they had not changed since 2015.

Vice Chair Ervin asked about Voya selling their annuity business and if they expected that to have an effect on their ratings.

Mr. Camp commented that Voya Insurance and Annuity was being divested but Moody's reaffirmed the Voya rating even after that announcement. Mr. Camp reviewed some of the specifics of the NDC general account through Voya and answered questions from the Committee about comparisons to other clients of similar size. He stated that Nevada was above market rates and had a higher guaranteed rate compared to other plans of similar size.

The Committee appreciated the presentation and were always interested in getting the best rate of return for participants. They asked for some follow-up on what percent of clients were getting above their contracted rate and they asked Voya to provide information on what interest rate other large case clients were receiving.

b. NDC Self Directed Brokerage Account (SDBA) Option

Chair Stevens gave a summary on the participant who filed a complaint about the number and type of options available in the regular plan and his desire to be able to use a larger portion of his account in the SDBA option. This item would be on the February agenda to take action.

Ms. Michelle Williams with Voya provided data on the SDBA through NDC. Utilization was very small with about 56 participants in the regular state plan, 22 participants in political subdivisions, and 2 with Nevada System of Higher Education (NSHE) with an approximate total of \$2 million invested. That was a common amount of usage compared to other plans but the members who wanted to use it were usually vocal. Ms. Williams provided the TD Ameritrade SDBA guide and explained the minimum trade amount was \$2,500. In her research of other governmental plans recordkept by Voya she found two that allowed more than 50% of the account value; one that allowed 75% and one that allowed 100%.

Ms. Williams and Ms. Patane would confirm SDBA numbers as part of the fourth quarter report at the next meeting.

Mr. Boehmer asked if Voya considered allowing more than 50% of an account in the SDBA if at any time Voya could pull the plug if it was affecting covering the cost of the program.

Ms. Williams confirmed that Voya did have the right to restrict usage for various reasons.

Ms. Williams had provided the requested file of what funds were available in the SDBA which staff had emailed to the Committee.

The Committee and Voya continued discussing the specifics, fees, and limits of the SDBA.

Ms. Williams reviewed the follow-up items she would prepare for the next meeting including information on plans that had higher limits and what their experience had been and how they were collecting fees; a full listing of funds and specifically what the NDC participants were invested in and if NDC could restrict allowing participants to invest in limited partnerships.

c. Review of Investment Structure

Mr. Picarelli provided an educational presentation on Collective Investment Trusts, Mutual Funds versus White Label Funds, Multi-Asset Class Solutions, Environmental, Social, and Governance Investing, Custom Retirement Date Funds, and Fixed Income Options. He also reviewed the current NDC investment structure and offered to have an expert from Segal Marco come to a future meeting to give more education on any of the types of funds he mentioned during his report.

7. For Possible Action- Review, discuss, and potentially take action on proposed amendments from NDC Administrative Staff, recommended as part of the 2017 compliance audit report performed by Segal Marco, and/or any recommended amendments or changes recommended by the NDC Committee

a. Investment Policy Statement (IPS)

Mr. Boehmer noted that he struggled with implementing the changes to the Plan Documents after speaking with DAG Buoncristiani and Ms. Walker from Segal. There were no edits provided for the IPS but he was looking for language proposals.

Chair Stevens remarked that they should change the watch list criteria.

Mr. Picarelli proposed wording as the expense ratio plus 10 basis points.

Vice Chair Ervin commented that if they went with Mr. Picarelli's proposal then they would have a benchmark that depended on which funds were selected. They did not want all the funds on watch for no reason. He suggested they take the benchmark minus 20 basis points for all index funds.

**Motion by Vice Chair Ervin to change watch list benchmark performance standard for index funds to benchmark minus 20 basis points, including target date funds. Second by Mr. Myler, motion carried unanimously, 4-0.**

Vice Chair Ervin noted there were references in the IPS to revenue sharing that no longer applied so it needed to be cleaned up according to the new fee structure. They should also remove the socially responsive fund since it was no longer offered.

Mr. Picarelli recommended to remove the funds not offered in the lineup. As an example, NSHE did not list individual types of funds but three categories that were offered and their Committee determined the lineup.

Mr. Boehmer would remove socially responsive and balanced fund categories.

The Committee, staff, and Mr. Picarelli discussed additional revisions for the IPS.

Chair Stevens gave direction to staff to change revenue sharing language throughout the document, remove socially responsive and balanced categories, and stipulate that revenue sharing would be returned to participants invested in those funds. Bring the changes back to the February meeting for a vote.

Ms. Williams provided a follow-up on the SDBA stating that limited partnerships were restricted across the whole Voya platform, according to their senior product person.

The Committee asked for verification that Over the Counter stocks were not permitted.

b. 457(b) Plan Document

Mr. Boehmer referred to page 7 of the Plan Document and gave a history of the definition of administrator. It presented some confusion as it referred to both the Committee and the Executive Officer at different places in the Document. He would review with Ms. Walker to try and clarify the definition.

DAG Ott generally agreed that two entities encompassed with administrator definition was unclear. The caveat was if there was some requirement to have administrator defined then it would be useful to be clear who it was referring to. Preference would be to use the appropriate person stated in the document and if there was a need to have administrator in the definition then pick one person.

Vice Chair Ervin's provided revisions including checking spelling on "includible" and to be consistent throughout the document; remove Department of Administration reference on page 10; define contracted recordkeeper and then do not repeat the full phrase throughout the document; page 13 ask Ms. Walker if all the wording needed to be included in the unforeseeable emergency section; article XI reword language about administrator delegating to executive officer. If Ms. Walker could provide legal advice that would be good but they needed a legal review before voting.

The Committee and staff went through the document and suggested edits and changes to page 8, 10, 13, 36, 37, 40 and various sections. Since it was the legal document for the Program they thought it best to get legal advice and review before they were comfortable with voting on changes.

Mr. Picarelli stated Ms. Walker could review the document to modify the language. There could be a charge if she had to write up or redo the document.

c. Federal Insurance Contributions Act (FICA) Plan Document

Mr. Boehmer stated there were similar issues with the FICA document as the regular Plan Document except the investment options were different. He would address those when he got legal assistance on the Plan Document.

d. Administrative Manual

Chair Stevens noted that article 1 stated the Committee and Executive Officer but maybe should just list the Committee.

Mr. Myler commented that on page 8, section 5.5, the language needed to be clarified in the last sentence.

e. State Administration Manual (SAM)

It was determined that the SAM language should be revised and simplified after the other plan documents were updated.

8. Informational Item- Review draft proposed Regulation changes as a result of the passage and implementation of SB502 passed in the 79<sup>th</sup> Legislative Session

DAG Ott explained that regulations were meant to fill in gray areas or gaps in statutes but not meant to restate statute. The process was long and involved a number of statutory requirements. First was a workshop where the public could provide comment, it required a 15 day notice. Next, a request would be submitted to LCB to draft language. Once the language was received an adoption hearing would need to be scheduled with a 30 day notice. After the Committee approved the language it would go to the Legislative Commission for approval and the final document would be provided after it was filed with Secretary of State.

Vice Chair Ervin commented that one area that needed to be changed was the RFP section because it went against SB502. Another area that needed to be addressed was the appointment of the Executive Officer and involvement of the Committee.

DAG Ott recommended they work with Department of Administration on the scope of what was meant by "concurrence with Committee and the Governor's office" so they were all on the same page.

Vice Chair Ervin remarked that the removal of the Executive Office could be more restricted by stating a majority of the entire committee, not just a quorum of who showed up.

DAG Ott noted that staff could do the workshop and it did not have to be part of a Committee meeting. Then language could be brought for the public hearing.

Mr. Boehmer would work with the DAG to get proposed language incorporating the changes suggested during the discussion, including RFP clarification and defining what a majority of the

Committee was to recommend removal of the Executive Officer, and define that by at least 3 members.

Chair Stevens called a 5 minute break.

9. For Possible Action- Discuss any proposed budgetary amendments, additions, or deletions in preparation for the FY2020/2021 budget building kick-off which is scheduled for February 27, 2018

Due to the length of the meeting the item was deferred to the February meeting.

10. For Possible Action- Receive and discuss Marketing/Education Administrative Plan for 2018

Ms. Patane provided a year-end review of Voya statistics highlighting information on transfers and rollovers, representative statistics, Morningstar usage, and participation by plan number. She mentioned that it had been very difficult to get accurate numbers of employees from NSHE so the reported information was not up to date.

Mr. Jay Jorgenson, Divisional Senior Vice President with Voya explained the organization structure and roles of the Voya team. He also reviewed historical comparisons of the NDC Plan over 2015-2017 time period.

Mr. Chris Hogan, Regional Vice President with Voya, talked about representative efficiency, what type of individual training they receive and that they were working on hiring a new representative for the Nevada team. He mentioned prior discussions with Mr. Boehmer about getting access to more State agencies including the prison system and DMV.

Mr. Scott Darcy, Customer Experience Consultant with Voya reviewed marketing for 2017 and highlighted the upcoming campaigns and goals and objectives for 2018. He also commented on the quarterly newsletter and the 2018 survey.

Mr. Myler recommended sending an email in July to correspond with the cost of living increase for State employees.

Vice Chair Ervin cautioned against doing a long survey every year and suggested doing a short survey for 2018 and highlight that in the email.

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

Mr. Boehmer stated the financial audit would be conducted annually. The compliance audit was built into the investment consulting contract but the Committee had not determined how often those should be performed. The industry recommended a 3 year cycle. They would need to consider the compliance audit going into budget building.

12. For Possible Action- NDC contract(s) review and discuss Program contract evaluations:

Mr. Boehmer provided the vendor rating worksheet and reviewed contract expirations. They would have to go out for RFP for the investment consultant contract later in 2018. After the contract was issued it would be submitted for BOE approval in February 2019 for a March 2019 start date.

Vice Chair Ervin felt it would be important to have the investment consultant on board to assist with framing the recordkeeper RFP so asked if they could accelerate the process.

13. For Possible Action- Discuss National Association Government Defined Contribution Administrators (NAGDCA), Institutional Investor, Segal Marco's Client Research and Educational Summit, Plan Sponsor, or Pensions and Investments Conference Participation in 2018.

Chair Stevens recommended sending new Committee members to NAGDCA. The Committee would make a decision at the February meeting on who would attend.

#### Comments/Updates/Future Agenda Items

14. Committee Members

Vice Chair Ervin marketing to political subdivision at the February meeting.

15. Investment Consultant

No comments.

16. Deputy Attorney General (DAG)

No comments.

17. Recordkeeper

No comments.

18. NDC Administrative Staff/Department of Administration

No comments.

19. Public Comment.

No public comment.

20. Adjournment

The meeting was adjourned at 4:52 p.m.

Respectfully submitted,

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Micah Salerno  
NDC Administrative Assistant