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STATE OF NEVADA DEPARTMENT OF ADMINISTRATION

PUBLIC EMPLOYEES' DEFERRED COMPENSATION PROGRAM

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**DEFERRED COMPENSATION COMMITTEE
QUARTERLY MEETING MINUTES**

August 28, 2019

The quarterly meeting of the Deferred Compensation Committee was held on Wednesday, August 28, 2019, at 9:00 a.m. in the Nevada State Legislature Building, 401 South Carson Street, Room 2135, Carson City, Nevada. Attendees participated in person.

A copy of meeting material including this set of meeting minutes, the agenda, and other supporting material, is available on the Nevada Deferred Compensation (NDC) website at:
<http://defcomp.nv.gov/Meetings/2019>.

COMMITTEE MEMBERS

Kent Ervin
Matt Kruse
Steve Woodbury
Debbie Bowman, Vice Chair
Wayne Thorley, Chair

OTHERS PRESENT

Bishop Bastien, Voya
Rob Boehmer, NDC Executive Officer
Dianna Patane, Voya

Frank Picarelli, Segal Marco
Henna Rasul, Deputy Attorney General
Micah Salerno, NDC Admin. Assistant

1. **Call to Order/Roll Call**

Chairman Thorley called the quarterly meeting to order for the Nevada Deferred Compensation (NDC) Committee at 9:00 a.m. on Wednesday, August 28, 2019.

Mr. 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. **Public hearing on proposed regulations.** The Committee will receive and hear all public comment regarding LCB file number R195-18 for changes to the Nevada Administrative Code 287.730, Section 1. Public comment may be made in person or submitted in writing.

No comments were made, and Chair Thorley closed the public hearing.

4. For Possible Action- Consideration of public comment and possible adoption of LCB file number R195-18. The Committee will consider all public comment received regarding the proposed regulatory changes under agenda item 3.

Motion by Dr. Ervin to approve the regulation, second by Vice Chair Bowman.

Dr. Ervin commented that the adoption of the regulation fixes inconsistencies between the new Administrative code and Statute.

Vote on motion carried unanimously, 5-0.

5. For Possible Action- Approval of Nevada Public Employees' Deferred Compensation Program (NDC) Committee (Committee) meeting minutes for public meetings held on June 5, 2019.

Motion by Mr. Kruse to approve the minutes from June 5, 2019, second by Dr Ervin. Motion passed unanimously, 5-0.

6. For Possible Action- Receive, discuss, and approve Executive Officer's Report of second quarter 2019.

Mr. Boehmer presented information from his quarterly report including details on the closing budget for fiscal year (FY) 2019 and summary and details for FY 2020 and 2021 budgets. He reviewed the differences between the FY 2018 and FY 2020 budgets and highlighted a few changes in several categories. Mr. Boehmer noted that the required IT support was not built in to Category 82 so a work program was in process to correct the error. Category 89 for the Attorney General cost allocation showed zero because of an error for over charging the agency in previous years.

The Nye County transition was complete. Voya was very helpful in assisting them with a compliance issue that arose and went above and beyond to get it resolved. Nye County was very pleased with the support from Voya and NDC.

Mr. Boehmer remarked on the change to the Administrative expenses from the Financial Audit. He researched why the increase seemed so significant and found it was due to the change in the fee structure. Prior to the change in fee structure, the revenue was not reported or transparent, so the auditors never saw what revenue streams were charged and received. Now it was accounted for and clearly shown. It was good to see why there was a difference and going forward there would not be a deviation because it was being correctly reported.

Mr. Boehmer noted that Mr. Kruse, Mr. Bastien, and he attended a City of North Las Vegas board meeting. They were ultimately pleased with what NDC had to offer and paperwork was sent for them to join the programs. They were not able to approve the interlocal contract prior to the NDC meeting so they had plenty of time to review and ask questions. It may be an item on the November NDC meeting agenda to add them as a political subdivision.

Dr. Ervin wanted to make sure there was not exposure for the Program to agreements between bargaining units and individual entities.

Mr. Picarelli stated they would need to do a mapping strategy to coordinate when the transition would occur so they would know the final lineup. NDC would ensure the funds came over at book value with no MVA adjustments so there was no harm to participants.

Mr. Boehmer would look at all the details and take into consideration the appropriate time for assets to be transferred.

Dr. Ervin asked if the funds could be brought over to our target date funds and then participants could reallocate as they wished.

Mr. Bastien commented there were a few ways to map over the funds, but they would do whatever the entity preferred. Complications could happen when going from multiple vendors to a single vendor. The details of the plan would drive the discussion for the transition and funds.

Mr. Boehmer provided an update on the recordkeeper contract. He was pleased with the positive negotiations with Voya which showed they valued their relationship with NDC. The Board of Examiners deadline was met and both contracts were approved at their meeting. There was a small mistake on the date of the contract which he noticed the morning of the BOE meeting, so an amendment was done to change the end date of the contract from 2025 to 2024.

Mr. Picarelli suggested the Committee be briefed at the annual Planning Meeting on specifics of the recordkeeping contracting including operation of the contract, performance standards, and monitoring tools. Education to understand the operation of the contract would be valuable.

Mr. Boehmer noted he was in the middle of building the RFP for the investment consultant contract. He asked if the Committee members wanted to serve on the evaluation committee. The intention was to release the RFP in the first quarter of 2020 with a start date of June 1, 2020, at the latest.

Dr. Ervin asked for the RFP to be part of the November meeting for review and feedback and to have an agenda item to determine who would serve on the evaluation committee for the RFP.

Motion by Mr. Woodbury to approve the Executive Officer report. Second by Mr. Kruse, motion passed unanimously, 5-0.

7. 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, 2019.

Mr. Picarelli reviewed the financial markets on pages 1-19 from his Analysis of Investment Performance Report for second quarter 2019. The executive summary from page 22 showed the Voluntary Plan assets were at \$848.1 million which was an increase of \$20.5 million over the quarter. The FICA Plan had \$42.9 million in assets so total Plan assets were \$891 million. The loan program had 538 issued to date with an outstanding balance of \$3.7 million. The largest amount of Plan assets were invested in the Stable Value Fund representing \$315.4 million (37.2%) and the Target date funds' assets totaled \$168.3 million (19.8%). As of June 30, 2019, the projected total annual funding requirement for the Plan was \$785,512 based on 8 basis points fees on the variable assets per the Voya contract for \$423,449 and the Plan administration budget of \$362,063. The fee model revenue was projected at \$819,269 derived from the 8 basis points from the Voya contract, \$25 new loan charge, and the \$30 per participant charge. The projected revenue would be over the funding requirement by \$33,757 as of June 30, 2019.

Mr. Picarelli reviewed the funds on the watch list from page 27 which was cleaned up after the change to the Investment Policy Statement and watch list criteria at the June meeting.

Dr. Ervin asked if they could find out if the defaulted loans were from active or termed employees. They should be proactive about education before the default rate gets too high. The Committee were concerned about leakage when adding this feature to the plan.

Mr. Boehmer stated he would look into getting more information on the defaulted loans.

Mr. Picarelli went over Plan Activity, loan data, Roth accounts, and FICA program details. He finished his report with a review of fund performance.

Motion by Dr. Ervin to approve the Investment Consultant report. Second by Mr. Kruse, motion passed unanimously, 5-0.

Chair Thorley called a ten-minute break.

8. For Possible Action- Receive, review, and discuss Fund Search data for the SMID Core and Growth investment categories.

Mr. Picarelli and the Segal research team looked for an active SMID growth fund. They met with companies and did reviews. He provided a presentation with three funds to consider: Alliance Bernstein, Janus Henderson, and Wasatch.

The Committee, staff, Mr. Picarelli, and Mr. Bastien held a lengthy discussion about the categories, strategy, and style of funds offered and if it was an appropriate time to make a change.

Dr. Ervin was concerned because some funds had shifted in recent years, so it was difficult to keep active funds in their correct style boxes. The Voya site funds were listed in one general category which was different than how they were reported on the Segal quarterly report, so participants did not always see what type of fund they were selecting.

Dr. Ervin proposed a few options. One option would be to take all five current funds in the small/medium category and consolidate them in the Vanguard Extended Market Index and have just one fund at a lower cost share class. A second option would be to have three different index funds in the category with the Vanguard Extended Market fund in the middle.

Mr. Kruse wanted to see a true side-by-side comparison of the Hartford Mid-Cap HLS fund versus any proposed mid-cap Index options available to show due diligence of performance and fee data over the last 5, 10, 15, or even 20 years (long term performance data). Mr. Kruse expressed that this would remove the issues they were currently dealing with for style drift in actively managed funds.

The Committee asked Mr. Picarelli to come back at the November meeting with analysis and data on the three actively managed mid-cap funds in our line-up comparing them with the current Vanguard Extended Market Index fund along with any other appropriate and recommended indexed funds available in this space so that the Committee can further analyze and review to assist with making this decision. They would wait to do any fund changes until they review and discuss this data and determined the best course of action going forward.

No motion was taken on the agenda item.

9. For Possible Action- Receive and discuss proposed Communication Plan in preparation for new Recordkeeping Services Contract starting in January 2020.

Mr. Boehmer and Mr. Bastien reviewed the timeline for the communication plan of the new recordkeeping contract effective January 2020.

Dr. Ervin suggested they do any fund changes prior to the Financial Engine reports being mailed. He requested a presentation at the January Planning meeting from the Financial Engine team.

Motion by Mr. Kruse to approve the timeline, second by Vice Chair Bowman. Motion passed unanimously, 5-0.

10. For Possible Action- Discuss and potentially take action on Plan Design and Fee Model changes for NDC Program.

Mr. Boehmer explained that action needed to be taken on the fee model and minimum deferral limit to move forward with the any changes prior to the new contract starting January 2020.

Chair Thorley felt strongly the need to increase the minimum contribution to help participants be better set up for success. It had not been increased since it was first put in place many years ago.

Mr. Bastien noted there were currently 769 participants across the whole Plan at the current \$12.50 level.

Mr. Boehmer stated \$25 should be the minimum change. It would only apply to new enrollments and anyone restarting contributions.

Motion by Mr. Kruse to increase the minimum contribution to \$35.00 per pay period. Second by Mr. Woodbury, motion passed unanimously, 5-0.

Chair Thorley asked if there needed to be an account threshold for charging the Program fee. Currently the threshold was \$1,000.

Dr. Ervin commented the threshold was meant for new enrollees to not hit them with fees when they had a low balance.

Motion by Dr. Ervin to leave the \$1,000 threshold and give staff discretion to set the quarterly fee on what is necessary to cover costs (based on 95% of total required funding). Second by Mr. Kruse, motion carried unanimously, 5-0.

Mr. Boehmer stated the FICA accounts would be charged a flat fee of \$0.73 annually plus the 5% for administrative costs which would be about \$2.00 total per year.

11. For Possible Action- Receive and approve plan activity, administrative update, Beneficiary Data report, and service report from contracted Recordkeeper's, Dianna Patane of Voya Financial, for second quarter ending June 30, 2019.

Ms. Patane reviewed the second quarter 2019 report from Voya covering plan assets, quarterly and participation activities, rollovers in and out, distributions, and beneficiary data. They currently showed a 7.90% increase in participation and were still striving for a 10% increase by the end of 2019. She also went over data from the targeted email campaigns that started in March.

Motion by Mr. Kruse to accept Voya's quarterly report. Second by Vice Chair Bowman, vote passed unanimously, 5-0.

12. Informational Item- Confirm the NDC Quarterly Committee meeting scheduled for November 13, 2019, establish upcoming meeting dates for Annual Strategic Planning Meeting in January 2020 and Quarterly meeting in February 2020, and/or schedule any other special meetings.

The meeting for November 13 was confirmed, Mr. Picarelli would call in unless his schedule changed. The Planning Meeting date was selected for January 7, 2020.

13. Committee Members comments

No comments.

14. Update from Investment Consultant

No comments.

15. Update from Recordkeeper

No comments.

16. Administrative Staff/Department of Administration Updates

Mr. Boehmer noted that Department of Administration had a new Deputy Director and he would be meeting with her soon.

17. Public Comment

No comments.

18. Adjournment

The meeting was adjourned at 1:30 p.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant