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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**

November 13, 2019

The quarterly meeting of the Deferred Compensation Committee was held on Wednesday, November 13, 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 and by teleconference.

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
Steve Woodbury
Debbie Bowman, Vice Chair
Wayne Thorley, Chair

OTHERS PRESENT

Seth Almaliah, Segal Marco (by phone)	Dianna Patane, Voya
Bishop Bastien, Voya	Frank Picarelli, Segal Marco (by phone)
Rob Boehmer, NDC Executive Officer	Henna Rasul, Deputy Attorney General
Joe Carter, AndCo Consulting	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 9:01 a.m. on Wednesday, November 13, 2019.

Mr. Boehmer took roll and determined a quorum was present and that Mr. Kruse was excused. 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 meeting held on August 28, 2019.**

Motion by Dr. Ervin to approve the minutes from August 28, 2019, second by Vice Chair Bowman. Motion passed unanimously, 4-0.

4. For Possible Action- Receive, discuss, and approve Executive Officer Report of third quarter 2019.

Mr. Boehmer opened his quarterly report including details about the budget and Request for Proposal (RFP) expense. A small work program was being processed for Category 30 for additional training to support Mr. Boehmer attending a NAGDCA board meeting and the Institutional Investor Summit as well as a site visit at Voya Financial headquarters. He thanked Voya for arranging the visit and meetings with a majority of the key executive personnel who work with the NDC Program. It was a very valuable visit and he was pleased to get a better understanding of what Voya offers, including advisory services, cybersecurity, and technology expressed in their RFP response and proposed in the upcoming contract. Being able to conduct the visit between his two other meetings accomplished necessary due diligence to the Program and provided a significant savings compared to doing a separate trip.

Dr. Ervin believed it was extremely valuable to do a site visit and was something that should be done every 3-5 years as part of normal due process.

Mr. Boehmer continued his report noting that everything was in line with the budget with no unusual expenses. He reviewed the budget spreadsheet, revenue breakout, and administrative account. The loan data was provided by Voya and there were not as many loans in defaults as reported at the last meeting.

Chair Thorley asked when a loan was categorized in default.

Mr. Boehmer explained that when one payment was missed it was considered in default. It was not considered as 1099 and distributable until 90 days elapsed. Voya sent out notification during that 90 days to ensure people were aware. He continued noting the quarterly staff report showed the call volume in the NDC office went down significantly due to it being reported wrong in previous quarters. Although it was a lengthy process, the issue with an incorrect change on two Voya accounts with duplicate names had been resolved. Mr. Boehmer confirmed the recordkeeping contract would launch in January 2020 and the new Voya platform transition would be around April/May 2020. He also remarked that the response was not great for the Financial Audit RFP with the cost being significantly higher than what was previously paid. He would continue to work on getting a contract, hoping to start in early 2020. The NAGDCA conference summary was provided with comments from several who attended. Mr. Boehmer believed it was the most valuable training opportunity available for Committee and Staff.

Mr. Woodbury attended NAGDCA and stated it was a good opportunity to see areas where their Program could do better and to discover things they should consider to stay up to date.

Mr. Boehmer concluded his report voicing that City of North Las Vegas was still desiring to join the Program but were working through questions with their board. He announced that the IRS released contribution limits for 2020 and an email was sent to state employees and political subdivisions to declare the increase.

Motion by Mr. Woodbury to approve the Executive Officer report. Second by Dr. Ervin, motion passed unanimously, 4-0.

Chair Thorley took agenda items out of order to accommodate those calling in to the meeting.

8. 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 third quarter ending September 30, 2019.

Ms. Patane reviewed the third quarter 2019 report from Voya covering plan assets, quarterly and participation activities. Currently the average participation rate was 26.06% and their goal was to reach 27.02%. She went on to review information on rollovers in and out of the Plan, small account cash out, distributions, and beneficiary data. They currently showed an 8.6% 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.

Dr. Ervin asked if the number of participants with an account over \$1,000 decreased since the previous quarter because of the small account cash out.

Ms. Patane stated she would research why the accounts over \$1,000 went down. One possibility was because of the large amount of PERS purchases that had been processed in the previous quarter.

Motion by Vice Chair Bowman to accept Voya's quarterly report. Second by Dr. Ervin, vote passed 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 third quarter ending September 30, 2019.

Mr. Almaliah reviewed the financial markets on pages 2-8 from the Analysis of Investment Performance Report for third quarter 2019. The executive summary from page 10 showed the Voluntary Plan assets were at \$851.2 million which was an increase of \$3.2 million over the quarter. The FICA Plan had \$43.9 million in assets so total Plan assets were \$895.1 million. The loan program had 547 issued to date with an outstanding balance of \$3.5 million. The largest amount of Plan assets was invested in the Stable Value Fund representing \$317.5 million (37.3%) and the Target date funds' assets totaled \$171.2 million (20.1%). As of September 30, 2019, the projected total annual funding requirement for the Plan was \$786,355 based on 8 basis points fees on the variable assets per the Voya contract for \$424,292 and the Plan administration budget of \$362,063. The fee model revenue was projected at \$816,512 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 \$30,157 as of September 30, 2019.

Dr. Ervin had a question on page 38 about the Vanguard Target Date funds and why the recently added 5-year incremental funds did not have as much utilization.

Mr. Almaliah noted it was not unusual that the 5-year increments did not have as many participants but that it would be a good idea to provide communication for participants to consider those options.

Mr. Bastien suggested two ways to address the discrepancy, they could do research and direct participants to review for proper fund placement or they could reenroll participants to the proper funds with notification it would occur with the option to decline the change.

Dr. Ervin asked Voya to come back with numbers on how many participants were not in the proper fund. He preferred communication with participants before doing the reenroll option.

Mr. Almaliah went over the performance review of funds to complete the quarterly report.

Motion by Dr. Ervin to approve the third quarter Investment Consultant report and watch list. Second by Mr. Woodbury, motion passed unanimously, 4-0.

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

At the August 28, 2019 NDC Committee meeting, a request was made for Segal Marco to further conduct a search of passively managed indexed options in the Mid Cap/SMID space available and recommend to potentially replace or consolidate the Goldman Sachs Small/Mid Cap Growth fund, the Oppenheimer Main Street Mid Cap fund, and/or replace or retain the Hartford Mid Cap HLS fund given its notable style drift.

Mr. Picarelli and Mr. Almaliah reviewed the three candidates for the Mid Cap fund search: AB Discovery Growth, Janus Henderson Triton, and Vanguard Mid Cap Growth Index.

Dr. Ervin was reluctant to go forward with a change since they did not have a full committee but believed they had done their due diligence with the additional fund search to include the Vanguard Mid Cap Growth Index. He asked that Financial Engines give a presentation at the January Planning Meeting.

Mr. Picarelli stated that consolidation and simplifying was in the best interest of participants. Typically, there was one fund per box but that meant the participants had to understand the differences in types of funds. He liked a participant directed plan that would offer good definition around categories. Traditional style box was to show the Committee was doing their job, but it was difficult to not have shifting.

Mr. Almaliah spoke about the Mid Cap/Small Cap analysis and understood the interest of the Committee was to continue active/passive management with some consolidation.

Dr. Ervin suggested consolidating the Goldman and Oppenheimer funds into an index fund.

Mr. Boehmer agreed with Dr. Ervin and felt that Mr. Kruse would be 100% in line with the recommendation to consolidate Goldman and Oppenheimer into an index fund. Any further consolidation or changes could wait for the full Committee to decide.

Motion by Dr. Ervin to add the Vanguard Mid-Cap Growth Index Fund to the NDC lineup. Remove the Goldman Sachs Small/Mid-Cap Growth Fund and map all assets to the Vanguard Mid-Cap Growth Index Fund. Remove Oppenheimer Main Street Mid-Cap Fund and map all assets to the Vanguard Extended Market Index Fund. Second by Mr. Woodbury, motion carried unanimously, 4-0.

Mr. Bastien would need to discuss with the Voya team on the timing of the change and communication.

Now that there were per head fees, regardless of amount of assets in the brokerage window, and since they were consolidating funds and there were fewer active funds, Dr. Ervin asked to add an agenda item for the January meeting to reconsider the brokerage window limit.

Chair Thorley called for a 5-minute break.

7. For Possible Action- Review, discuss, and present any changes or suggested additions to the Draft Investment Consulting Request for Proposal (RFP).

Mr. Boehmer provided a draft of the Investment Consultant RFP for the Committee to offer their input and to decide on who would serve on the RFP evaluation committee for the solicitation.

The Committee asked for clarification, provided some corrections and changes to the document, and discussed the scope of work, questions, and evaluation criteria.

Motion by Dr. Ervin to direct staff to take direction, formulate the RFP, create a standard list of criteria, and get feedback on one more draft of the RFP with authority to move forward in finalizing the RFP. Second by Vice Chair Bowman, motion passed unanimously, 4-0.

Chair Thorley asked who would want to participate on the evaluation committee for the RFP.

Vice Chair Bowman and Dr. Ervin agreed to serve. Chair Thorley and Mr. Kruse were potential candidates. Mr. Boehmer stated they would ask one or two people from other entities to serve as well. The top three bidders would be asked back for a best and final presentation.

Dr. Ervin wanted to have direct and clear instructions from Purchasing for the entire process.

9. Informational Item- Confirm the NDC Annual Strategic Planning Meeting on January 7, 2020 and schedule Quarterly meetings in February/March and May/June 2020, and/or schedule any other special meetings.

The date for the Planning Meeting was changed to January 14, 2020. The Quarterly meeting was scheduled for March 5, 2020.

10. Committee Members comments

No comments.

11. Update from Investment Consultant

Mr. Picarelli thanked the Committee for being able him to participate in the meeting by telephone.

12. Update from Recordkeeper

No comments.

13. Administrative Staff/Department of Administration Updates

Mr. Boehmer

14. Public Comment

No comments.

15. Adjournment

The meeting was adjourned at 1:13 p.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant