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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**

December 1, 2020

The quarterly meeting of the Deferred Compensation Committee was held on Tuesday, December 1, 2020, at 9:00 a.m. in the Nevada State Library & Archives Building, 100 North Stewart Street, Boardroom, 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/2020>.

COMMITTEE MEMBERS

Susie Chang
Kent Ervin
Jeff Ferguson
Matt Kruse, Vice Chair
Debbie Bowman, Chair

OTHERS PRESENT

Bishop Bastien, Voya	Merrill Desrosiers, Voya
Rob Boehmer, NDC Executive Officer	Henna Rasul, Sr. Deputy Attorney General
Rasch Cousineau, Hyas Group	Micah Salerno, NDC Admin. Assistant
Scott Darcy, Voya	

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

Chairwoman Bowman called the quarterly meeting to order for the Nevada Deferred Compensation (NDC) Committee at 9:01 a.m. on Tuesday, December 1, 2020.

Mr. Boehmer took roll and determined a quorum was present and confirmed the meeting was properly noticed and posted. He noted that Ms. Susie Chang was excused due to a conflict with her work schedule, but she would try to join later in the meeting.

2. **Public Comment**

No public comment.

3. **Approval of Nevada Public Employees' Deferred Compensation Program (NDC) Committee (Committee) meeting minutes for public meeting held on September 22, 2020.**

Motion by Mr. Ferguson to approve the minutes from September 22, 2020, second by Mr. Kruse. Motion passed unanimously, 4-0.

4. For Possible Action- Receive, discuss, and approve Executive Officer Report of third quarter 2020.

Mr. Boehmer opened his quarterly report speaking on the FY2021 budget status, quarterly plan activity and data, and the Administrative account. He noted that a work program was done for Category 26 to have Enterprise IT add a field for employee salary data in the contribution file from Central Payroll. He thanked Voya for splitting the cost to add this data field for financial planning. All State agencies were required to take a 14% budget cut for FY2021 and 12% for the next biennium. The bill draft request (BDR) was still being considered for the legislative session to add auto features for the Program.

- a. FY2021 Budget Status Report (BSR):
 - 2020 revenues were \$348,557 and expenses \$386,658. The 2020 reserve balance was \$88,791
 - 2021 revenues were \$380,557 and expense at \$431,454. The 2021 reserve balance was \$91,689
- b. Quarterly Plan Activity and Data Report:
 - As of September 30, 2020, 11% of participants were not paying a fee because their balances were under \$1,000. Voya purged inactive accounts on October 7, 2020 which should reduce that percentage. Voya and NDC Staff would provide an update at the next meeting.
 - The Committee discussed the FICA Alternative Plan administrative account balance which was \$18,914 as of November 13, 2020. Discussion focused on how common it was to have an admin allowance balance for part-time plans like the FICA Alternative Plan, and if there was a balance, how much to keep in the admin account. The discussion was tabled for the January planning meeting.
- c. City of North Las Vegas and Lincoln County Update and Report:
 - City of North Las Vegas was conducting a recordkeeping RFP and pending those results, may continue with their own Plan or join the State Plan.
 - Lincoln County had been authorized as a Political Subdivision participant and would begin contributions shortly.
 - Las Vegas Metro Police may also join the State Plan pending results of their current recordkeeping situation (Fidelity).

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

5. For Possible Action- Receive and approve Investment Consultant's review of third quarter 2020.

Mr. Cousineau presented the Third Quarter 2020 Performance Report.

- a. Features of the report were:
 - Market Commentary: Overall, second quarter market momentum continued into the third quarter. Widely followed market indexes were up 7.6% (Dow Jones Industrial Average); 8.5% (S&P 500); and 11.5% (NAGDAQ). Ten out of eleven sectors were up for the quarter with consumer discretionary leading the way at 15.06% and energy trailing at -19.72%. Speaking of energy, it had been a tough 2020 thus far, with the sector now down 48.09% year-to-date. Energy trailed the year's leading sector (Technology) by a whopping 76%. Technology was up 28.69% year-to-date. This dramatic delta between sectors had been a key factor in the Plan's fund performance. Funds overweighted to

energy had generally underperformed their peers and benchmarks while funds overweighted to technology had generally outperformed their peers and benchmarks.

- Plan Data Review: September 30, 2020 full-time Plans assets were \$932,375,483 which represented a market gain of \$42,327,580 for the quarter. The gain was in large part to Nevada participants staying the course through the volatility of 2020.
- Current Fund Lineup Overview and Performance Review: Two funds were on watch per the current Investment Policy Statement:
 - T. Rowe Price Growth Stock (PRUFX) was underperforming its benchmark only. Underperformance was due to relative overweight in financial stocks.
 - American Funds EuroPacific Growth was also underperforming its benchmark. Underperformance was due to an overweight to energy stocks.
- Plan Fee/Revenue Review: Weighted expenses were 0.335%; lower than the NAGDCA average of 0.46%.

Motion by Dr. Ervin to accept the Performance Report, second by Mr. Kruse.

Dr. Ervin appreciated seeing the added comments in the Watch List.

Mr. Cousineau noted a couple items in the fund line-up were compared to the wrong benchmark, so they needed to be moved to the correct one. They planned to update the Investment Policy Statement annually and flag any updates or changes. If necessary, they would update benchmarks.

Vote on the motion carried unanimously, 4-0

Committee Member, Ms. Chang, joined the meeting.

b. Plan Investment Structure Analysis and Recommendations:

- The Committee requested Hyas Group to provide the following items at the next meeting:
 1. Actively Managed Fixed Income Option – (NEW) – Provide a fund search for the Committee to consider adding an actively managed fixed income option to the lineup.
 2. Large Cap – Map Vanguard Institutional Index (VINIX) to Vanguard Institutional Index PLUS (VIIX).
 3. Mid Cap – Provide a search document for the Committee to consider mapping the four current Mid Cap funds into a SMID Cap option. The Committee requested Hyas Group provide low cost actively managed and passive options (Fidelity and Vanguard) for their consideration along with a proposed mapping of the current \$124 million in this category.
 4. International – Provide any additional information related to mapping the current Vanguard Developed Markets Index (VTMNX) to a Total International Stock Index. This would provide participants with emerging markets exposure.
 5. The Committee requested an updated fund map of current options to new options assuming changes are made in items 1-4 above.
 6. Finally, the Committee requested Hyas Group to provide an index fund comparison of their current Vanguard Index Funds to Fidelity Index Funds paying special attention to tracking error differences.

Dr. Ervin wanted to hear from Financial Engines if fund changes were implemented that they would have enough wiggle room for investments.

Chair Bowman called a ten-minute break.

- c. SECURE Act Update: Hyas Group only recommended adding the qualified birth/adoption provision from the SECURE Act.

Mr. Bastien stated there was no cost to add the provision.

Motion by Mr. Kruse to adopt the Qualified Birth and Adoption Distribution (QBOAD) provision plan wide, according to the SECURE Act. Second by Mr. Ferguson, motion passed unanimously, 5-0.

Mr. Boehmer and Voya would work to adopt this provision administratively and Plan Documents would be updated accordingly.

- d. Department of Labor (DOL) Newly Proposed Fiduciary Rules: Hyas Group provided a brief update regarding federal fiduciary rules and Nevada's proposed fiduciary rule expansions.
 - e. Government Accounting Standards Board (GASB) 457b Guidance on Employer Contribution Rules and Reporting: This provision, effective July 2021, would require 457b employer contributions to be included as a pension obligation on the agency's balance sheet. Some political subdivisions had employer contributions. The Committee deferred this item to the Planning Meeting where it would be discussed further, specifically how employer contributions were reported to the State and what fiduciary obligations, if any, the State had regarding this reporting.
6. For Possible Action- Receive recommended amendments to the NDC governing documents.
- a. Investment Policy Statement (IPS): The Committee tentatively approved the proposed Hyas Group Investment Policy Statement. The approval was on hold until the lineup was finalized at the next meeting. It was also pending Voya's inquiry to Financial Engines regarding whether Plan fund reductions would reduce the effectiveness of retirement forecasts. The Committee requested Hyas Group offer a "caution" or yellow light option for funds that missed one of two performance metrics. Hyas Group IPS said funds must miss two metrics. Hyas Group would update performance reports with the yellow light feature and add language to the IPS once the lineup was finalized.
 - b. Administrative Manual: The Committee approved the Fee Policy Statement updates with one modification, add a "0" to \$.55 for the FICA Plan fee. Hyas Group would make the update and return to Staff for inclusion in the manual.

Motion by Dr. Ervin to approve the Fee Policy, as updated. Second by Mr. Ferguson, motion passed unanimously, 5-0.

7. For Possible Action – Receive and approve plan activity and service report from contracted recordkeeper Voya Financial for third quarter ending September 30, 2020.

Mr. Darcy joined the meeting.

Mr. Bastien reviewed the third quarter 2020 report from Voya. Highlights included:

- a. Northern Nevada representative changes
- b. Discussion about rollouts to the Washoe County Plan – Voya had spoken to their associates about the importance of keeping State Plan assets in the State Plan.
- c. Communications update from Mr. Darcy
- d. Field Activity update: 137 new enrollments, 34 group meetings, 728 individual meetings

- e. CARES Act update – 282 distributions for \$3.4 million in Coronavirus Related Distributions. Voya had started to reach out to employees regarding loan repayments beginning again in January.

Motion by Mr. Kruse to approve the Voya Quarterly Report. Second by Ms. Chang the motion passed unanimously, 5-0.

- 8. For Possible Action- Confirm Annual Planning Meeting and 4th Quarterly Meeting. Schedule Quarterly Committee meeting and/or any special meetings.

The meeting schedule for 2021:

- a. Special Annual Planning Meeting, January 11th starting at 8:30am
- b. Fourth Quarter 2020 scheduled for March 2nd
- c. First Quarter 2021 scheduled for June 9th.

- 9. Committee Members comments

Mr. Kruse expressed thanks to all the NDC Staff and team.

- 10. Update from Investment Consultant

No comments.

- 11. Update from Recordkeeper

No comments.

- 12. Administrative Staff/Department of Administration Updates

Mr. Boehmer related his appreciation for Ms. Salerno, especially during this time of COVID.

- 13. Public Comment

No public comment.

- 14. Adjournment

The meeting was adjourned at 1:25 p.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant