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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**

March 5, 2020

The quarterly meeting of the Deferred Compensation Committee was held on Thursday, March 5, 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

Kent Ervin
Matt Kruse
Debbie Bowman, Vice Chair

OTHERS PRESENT

Bishop Bastien, Voya	Frank Picarelli, Segal Marco
Rob Boehmer, NDC Executive Officer	Henna Rasul, Sr. Deputy Attorney General
Gail Burchett, Purchasing	Micah Salerno, NDC Admin. Assistant
Rodney Neufeld, Participant	Audrey White, Hyas Group (by phone)
Amanda Osborne, Elko County (by phone)	Peter Winterbottom, Voya
Dianna Patane, Voya	

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

Vice Chairwoman Bowman called the quarterly meeting to order for the Nevada Deferred Compensation (NDC) Committee at 9:01 a.m. on Thursday, March 5, 2020.

Mr. Boehmer took roll and determined a quorum was present. He noted there were two vacancies on the NDC Committee. He also confirmed the meeting was properly noticed and posted.

Vice Chair Bowman recognized those participating by telephone.

2. **Public Comment**

Mr. Rodney Neufeld, State employee and NDC participant, addressed the Committee about the current limit on the Self-Directed Brokerage Account (SDBA). Since the asset-based charge had been eliminated with the new contract he was requesting that the limit be increased. Employee driven should be just that, by putting limits it came across that the powers that be knew what was

best for participants. He understood the concern for participants losing money, but it was money they had worked for. You could not protect people from the choices they made, just give the clients the tools and resources they need and be there to answer questions that arise. Mr. Neufeld was impressed with the SDBA and Voya and appreciated all the hard work done so far, but he believed participants should be allowed to make their own choices and he would like more control of his own money.

Vice Chair Bowman noted some items would be taken out of order.

6. For Possible Action- Receive and approve Investment Consultant's review of report from Recordkeeper, performance of investment options, and Fund Watch List for the fourth quarter ending December 31, 2019.

Mr. Picarelli commented about the unprecedented swings in the market caused by the Corona virus. It was causing major concerns around the global economy, trade, consumer spending, and corporate profitability. On pages 2-18 he reviewed the financial markets from the Analysis of Investment Performance Report for fourth quarter 2019. The executive summary from page 20 showed the Voluntary Plan assets were at \$890.8 million which was an increase of \$39.6 million over the quarter. The FICA Plan had \$45.1 million in assets, so total Plan assets were \$935.9 million. The loan program had 557 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 \$317.4 million (35.6%) and the Target date funds' assets totaled \$185.4 million (20.8%). As of December 31, 2019, the projected total annual funding requirement for the Plan was \$872,082 based on 8 basis points fees on the variable assets per the Voya contract for \$455,648 and the Plan administration budget of \$416,434. The fee model revenue was projected at \$893,458 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 \$21,376 as of December 31, 2019.

Mr. Picarelli reviewed the Watch list on page 25 noting that two funds would be removed following the fund change. Continuing on page 28 Mr. Picarelli reviewed the fee level analysis for the total plan. Through the recordkeeper RFP process the overall pricing for the program was enhanced. Page 29-51 showed plan activity, loan and Roth data, FICA plan activity, and Voya Fixed Account information. Referring to pages 53-58, Mr. Picarelli completed his report with the fund performance review.

Motion by Dr. Ervin to accept the fourth quarter Investment Consultant report and Watch List. Second by Mr. Kruse, motion passed unanimously, 3-0.

3. For Possible Action- Pertaining to RFP #08DOA-S935- Investment Consulting Services: receive Letter of Intent to Award from State Purchasing. The Committee must act pursuant to NRS 287.338.
 - a. The Committee shall take the following actions pursuant to NRS 333.335 only in an open meeting:
 - i. Award the contract pursuant to NRS 333.335;
 - ii. Cancel a request for proposals; or
 - iii. Reissue a modified request for proposals

Ms. Gail Burchett with State Purchasing reviewed the process for the Investment Consulting Services Request for Proposal (RFP) explaining the RFP was issued, proposals received in good order were evaluated and scored by each member of the evaluation committee on February 19, 2020. The top three scorers were invited back for finalist presentations on March 2, 2020. Scores

from the final presentation were combined with original scores and based on those combined scores the highest scorer was the Hyas Group.

Vice Chair Bowman asked if the RFP was organized and conducted according to State of Nevada Revised Statute and if the process was sound.

Ms. Burchett confirmed that they followed State Purchasing guidelines and everything was in good order.

Dr. Ervin expressed his appreciation to Mr. Picarelli for all his service over the years and thanked him for his work with the Committee. He thanked the other proposers mentioning where there was a strong field and stiff price competition. They were looking forward to working with the new vendor.

Mr. Picarelli was disappointed, and it was a significant loss to their company. He believed their company was top tier and did not feel the procurement process was able to address the deficiencies within other companies.

Dr. Ervin asked what the next step in the process was.

Ms. Burchett would issue a letter of intent to the Hyas Group and pending negotiations they would go to Board of Examiners for approval. If negotiations were not successful, they would offer to the second highest scorer.

Vice Chair Bowman also thanked Mr. Picarelli and stated it was a very difficult decision.

Mr. Kruse thanked Mr. Picarelli for everything he did for the Committee and the people they serve.

Motion by Dr. Ervin to award the contract, pursuant NRS 333.335, to the highest scoring vendor. Second by Mr. Kruse, motion passed unanimously, 3-0.

The Committee thanked Ms. Burchett for leading them through the process.

Vice Chair Bowman called for a five-minute break.

8. Informational Item- Receive Voya Retirement Advisors (VRA) demonstration with explanation of how the Financial Engines modeling will be utilized and how it works.

Mr. Bastien commented that Mr. Boehmer and the Committee had asked for a more in-depth presentation on VRA which was a substitution for Morningstar.

Mr. Peter Winterbottom explained that VRA service came out of the relationship they had with Financial Engines where that core methodology was integrated into the participant website. Previously, in the relationship with Morningstar, it was primarily an online driven service, but they found most people wanted to talk with someone. VRA had dedicated, full time, non-commissioned investment advisor representatives to deliver investment advice and managed account services as well as education and guidance. They can give recommendations for fund specific advice without a fee. The representatives are equally incentivized for all types of funds and the local Voya representatives would also receive training for the VRA program.

Mr. Kruse asked about the methodology and how the information was processed and what the fees would be.

Mr. Winterbottom stated the same methodology drove both the free and for fee advice. The fees would be the same as the Morningstar program, 50 basis points (0.50%) in managed accounts which were reviewed on a monthly basis and changes were made proactively. The free advice

would have to be implemented by the participant. They send out a personalized, printed assessment annually, and the more data provided the better the statement/assessment would be. The local Voya representatives would start training around mid-May prior to any mailings being sent out to participants. A mailing would likely go out in June with implementation on the new platform including the VRA around mid-August.

Chair Bowman called a five-minute break.

7. For Possible Action- Discuss and review the following items involving the current Self-Directed Brokerage Account (SDBA) window within the NDC Core Investment line-up:
 - a. Status update on TD Ameritrade/Charles Schwab acquisition.
 - b. Re-visit and discuss the possibility of increasing the SDBA deferral threshold based on the implementation of the new NDC cost structure.

Mr. Bastien stated there was a public announcement that TD Ameritrade had entered into an agreement to sell their business to Charles Schwab with the sale taking place over the course of a two-year period. Not a lot of information was available so there were outstanding questions pertaining to the current agreement with State. He would update as answers became available.

Mr. Boehmer wanted to discuss the SDBA account as due diligence. When new Committee members were appointed, they would be updated. He also wanted to revisit the possibility of increasing the SDBA threshold.

Mr. Bastien spoke with Voya internally about the SDBA threshold. Currently it was capped at 50% for NDC accounts. Based on best practices they did not recommend going over 75% but they could possibly go to 80%. The minimum balance to participate in the SDBA was \$5,000 so they could transfer \$2,500.

Mr. Boehmer looked at data and only one participant had less than a \$10,000 balance. He also researched through NAGDCA and not many programs went higher than 50% threshold.

Mr. Bastien stated that Voya reserved the right to limit the number of participants. It would be very simple to make the switch to a higher percentage, but they would not advertise the change.

Motion by Mr. Kruse to increase the threshold to 75% in the Self-Directed Brokerage Account option. Second by Dr. Ervin, motion carried unanimously, 3-0.

Mr. Bastien noted there was a disclosure that could be signed and dated as part of the application stating that NDC was not responsible for the performance of funds. It could be implemented going forward.

Ms. Patane remarked there were 91 participants who currently used the SDBA.

4. Approval of Nevada Public Employees' Deferred Compensation Program (NDC) Committee (Committee) meeting minutes for public meeting held on November 13, 2019.

Motion by Dr. Ervin to approve the minutes from November 13, 2019, second by Mr. Kruse. Motion passed unanimously, 3-0.

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

Mr. Boehmer opened his quarterly report including a summary of the budget.

Dr. Ervin asked if the revenue estimates accounted for the fee change. He also questioned why the number of accounts charging a fee went up to 14,000.

Mr. Boehmer confirmed the estimates did account for the fee change and were based on how many participants paid the fee.

Ms. Patane noted there was a coding error in the Voya system so accounts were not assessed each quarter but only in January 2019. It was corrected for fourth quarter and Voya paid the difference on the two quarters that were missed earlier in the year.

Dr. Ervin asked how many accounts were below \$1,000.

Based on Mr. Picarelli's report, there were 2,160 accounts below \$1,000.

Dr. Ervin asked if they could look at the accounts under \$1,000 and research three categories: how many were inactive versus actively contributing; how many were active employees not contributing; and how many were termed employees.

Mr. Boehmer looked at the budget spreadsheet, revenue breakout, and administrative account and reviewed annual plan data on contributions, loans, and unforeseen emergencies. He continued his report voicing that City of North Las Vegas listed an RFP for investment consultant services but may still consider joining the NDC Plan. Lincoln County was interested in joining and was provided paperwork. Mr. Boehmer would attend a future commissioner meeting to speak with them. The Financial Audit RFP was pulled since only one firm qualified but the bid was significantly higher than previous audits. A local firm was found to provide the service at about \$35,000. The contract should be on the Board of Examiners meeting for April and the audit would start immediately upon approval. Casey Neillon was the firm and they felt confident they could complete and finalize the audit by June 30, 2020. The fiscal year 2020 audit would be done around October prior to the holidays.

Mr. Boehmer provided a draft communication regarding the upcoming fund change and conversion from Accumulation Unit Value (AUV) to Net Asset Value (NAV).

Dr. Erving asked if they could add an explanation that the new NAV the share prices would match the ticker symbol, which showed the value of the change.

Mr. Kruse suggested they bold the print for the 3.10% crediting rate so it stood out.

Motion by Mr. Kruse to approve the Executive Officer report. Second by Dr. Ervin, motion passed unanimously, 3-0.

9. For Possible Action – Receive and approve plan activity and service report from contracted recordkeeper Voya Financial for fourth quarter ending December 31, 2019.

Ms. Patane reviewed the fourth quarter 2019 report from Voya covering plan assets, quarterly and yearly activities for the representatives including group meetings, one-on-ones meetings, and enrollment. She also covered information on participation activity, rollovers in and out of the Plan, distributions, beneficiary data, and information from the targeted email campaigns that started in March 2019.

Mr. Bastien examined the participation rates for the 5-year agreement. The commitment was to increasing plan participation by 10% during the 5-year contract term. Overall, the participation rate

grew from 18.16% to 28.26% which was a 10.10% increase. The representatives gave a strong push at the end of the year to get the enrollments up. Many factors influenced their effort to reach the goal and they learned a lot through the experience, finding what worked best and what needed improvement.

Mr. Boehmer commended the team effort; it was a good job all around.

Motion by Mr. Kruse to approve the Voya fourth quarter report. Second by Dr. Ervin, motion carried unanimously, 3-0.

10. Informational Item- Discuss SECURE Act parameters that will be implemented immediately as well as items that the Committee will need to agendaize, discuss, and decide on whether to adopt in the NDC Plan Design.

Mr. Boehmer addressed the SECURE Act explaining that the Committee would need to decide which provisions were applicable or should be considered for the Program. One mandatory change was the required minimum distribution rule which changed the age from 70½ to 72.

Mr. Boehmer noted there were two provisions as options: allowing for withdrawals for birth or adoption, and modification to the age for in-service withdrawals changing from 70½ to 59½.

Dr. Ervin remarked those two options allowed for leakage from the plan.

Mr. Boehmer and Mr. Bastien agreed they should wait and see, get more information, and hear the opinions from the Department of Labor.

11. Informational Item- Possibly reschedule the Annual Strategic Planning meeting and schedule quarterly meetings in May/June and August/September timeframe, and/or schedule any other special meetings.

The date for the Quarterly/Planning Meeting was set for June 17, 2020, starting at 8:00 a.m. The next Quarterly meeting would be September 15 or 16, 2020, depending on Dr. Ervin's teaching schedule.

12. Committee Members comments

No comments.

13. Update from Investment Consultant

No comments.

14. Update from Recordkeeper

Mr. Bastien learned at a recent Voya meeting about a student debt solution that was coming soon. He would send out information as it became available.

15. Administrative Staff/Department of Administration Updates

Mr. Boehmer mentioned the leadership meeting with the new Director of Department of Administration, he would be reporting directly to the deputy director. Their office was in support of auto features, but issues could arise with collective bargaining. He asked for the Committees input if

he should advocate for those features. Budget building kickoff happened in late February and NDC was only allowed two Governor recommended enhancements. He would reconfigure the training category to allow more classes. The deadline for budget changes was in April.

16. Public Comment

No public comment.

17. Adjournment

The meeting was adjourned at 12:21 p.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant