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STATE OF NEVADA DEPARTMENT OF ADMINISTRATION

PUBLIC EMPLOYEES' DEFERRED COMPENSATION PROGRAM

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**DEFERRED COMPENSATION COMMITTEE
SPECIAL MEETING MINUTES**

April 13, 2020

The special meeting of the Deferred Compensation Committee was held on Monday, April 13, 2020, at 9:00 a.m. 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	Eric Milavsky, Lyon County
Rob Boehmer, NDC Executive Officer	Rosanne Orozco, RTC
Melanie Bruketta, Carson City	Dianna Patane, Voya
Wendy Carter, Segal Consulting	Frank Picarelli, Segal Marco
Rasch Cousineau, Hyas Group	Henna Rasul, Sr. Deputy Attorney General
Mandy Dela Vega, Elko County	Micah Salerno, NDC Admin. Assistant

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

Vice Chairwoman Bowman called the quarterly meeting to order for the Nevada Deferred Compensation (NDC) Committee at 9:05 a.m. on Monday, April 13, 2020.

Mr. Boehmer took roll and determined a quorum was present and confirmed the meeting was properly noticed and posted.

2. **Public Comment**

No public comment.

3. **For Possible Action- Approval of Nevada Public Employees' Deferred Compensation Program (NDC) Committee (Committee) meeting minutes for public meeting held on March 5, 2020.**

Motion by Dr. Ervin to approve the minutes from March 5, 2020, second by Mr. Kruse. Motion passed unanimously, 3-0.

4. For Possible Action- Receive, discuss, and potentially take action on optional provisions afforded and identified in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to all Defined Contribution Plan Sponsors.

Mr. Boehmer explained there were three provisions available in the CARES Act pertaining to 457b participants. First was the Coronavirus Related Distributions (CRD) which would allow participants to take an in-service distribution up to \$100,000 or 100% of their account

Mr. Bastien remarked that the CARES Act provided some relief through Coronavirus related distributions. Participants would self-certify to be able to take a distribution in the form of a plan loan which could be taken within the 180-day period from March 27, 2020 to the end of the year. There were some issues with loans for political subdivisions because of multi-vendor options that would need to be considered. The waiver for required minimum distributions (RMD) for all participant and beneficiaries for 2020 was already implemented. Voya was automatically complying with this provision on behalf of the plan.

Dr. Ervin asked how Voya was implementing the provisions and if the plan sponsor could change the limits.

Mr. Bastien replied that Voya could comply and carry out with signed authorization from the Plan. Once the Plan opted-in for the CARES Act and Voya was notified it would take approximately five days to have everything up and running. With loans, the plan sponsor was not required to go to the \$100,000 limit, they could select a different amount. There was an issue with the number of loans because the Plan Document currently only allowed for one loan per participant. If someone already had a loan, they would not be eligible for a CARES Act loan. The Plan Document would have to be amended to allow for multiple loans. The loan provision only applied for the State Plan, not political subdivisions or NSHE so it would be easier to monitor.

Mr. Picarelli stated protection was offered by only allowing loans in the State Plan.

Vice Chair Bowman asked for input from the Political Subdivision people on the phone call.

Carson City, Lyon County, and Elko County representatives on the phone noted they had not had any inquiries from participants in having access to loans but there had not been any layoffs at that time.

Mr. Bastien explained that it was difficult to monitor loans being taken out across multiple vendors to ensure the amount of loans taken out did not cross the allowable threshold. Some Political Subdivisions offered various vendors so they would have a hard time complying on loan amounts. Historically, the Political Subdivisions did not have access to loans because the State was not able to monitor for compliance of loan amounts.

Mr. Boehmer expanded the explanation using Carson City and Lyon County as examples. Carson City only offered one vendor so it would not be a challenge monitoring their loans, but they could choose to add an additional vendor at any time. Lyon County currently had multiple vendors so they would have to provide third party administrator to remain in compliance and they would have to sign information sharing agreements to allow the vendors to monitor loans across plans for appropriate limits.

Mr. Milavsky from Lyon County asked if the Committee allowed loans for the Political Subdivisions, would the ultimate decision fall with the entity or would it be mandatory.

Mr. Bastien stated the Plan was not set up for Political Subdivisions to have loans, so it was not available at that time.

Dr. Ervin asked what the pay back provisions, and tax implications were for loans and distributions pertaining to CRD's.

Mr. Bastien replied that for loans taken out the repayment of a new or existing loan could be delayed for up to one year, to December 31, 2021. Once the delay process was done, the payment would be re-amortized, and they would pick up repayment at that time. If a loan went into default, then taxes would have to be paid since it was considered a distribution but there would not be a 10% penalty. For a distribution, the 10% penalty would be waived but tax purposes remain the same but could be taken out over a 3-year period. A distribution could be paid back, and it would be treated as a rollover. It could be paid back over the course of 3 years.

Dr. Ervin thought that the distributions were a good solution because they were available to everyone, unlike the loans. They were taxable but there was no penalty and they could be paid back.

Mr. Kruse asked if they decided to add any provisions, how long it would take to implement.

Mr. Bastien related that Voya already developed a form so once the Plan chose to opt-in to the provisions and the form was submitted, they could turn on the provisions within 5 days.

Mr. Boehmer commented that the majority of calls he had received had been about RMD's. The other calls were from State employees who had existing loans and wanted to stop payment for a time or wanted to take an additional amount. Only two calls had been from participants asking about taking an in-plan distribution.

Mr. Bastien pulled information on the current loans and only 12 had the maximum loan amount and of those 12, only 3 did not have additional funds available at the current maximum. These options, whether loans or distributions, would not be advertised but they would respond if participants inquired.

Mr. Picarelli mentioned a point to make to participants when they took distributions and/or loans that they were further liquidating their account. It would be hard to recover the losses of the funds not being in the Program. The government moved very quickly on the provisions and he believed it would have been better to allow in-service distributions as another element of hardship withdrawal.

Dr. Ervin had mixed feelings and shared Mr. Picarelli's opinion that the government moved quickly. He was alarmed that they would be allowing up to \$200,000 withdrawals and 100% of an account be taken out at a time when the market was down. That would have a negative effect for long term retirement viability of accounts. However, for individuals deeply impacted by COVID-19 it was their money that they put in voluntarily so they should pass that ability to access funds but educational tools should be used to make sure they knew the consequences. It would be available for a limited time so he hoped it would not have a huge impact on the Plan. He would be okay with both options as job cuts could be coming.

Mr. Kruse agreed with Mr. Picarelli and Dr. Ervin's comments. The intent of the federal action was to be speedy to provide immediate relief. It could provide for a certain segment of plan users. There was a lot of uncertainty. Should move forward with recommendations of Investment Consultant and

recordkeeper. Education was critical since returns were down and locking in those losses would be bad for participants and the outflows for the plan.

Mr. Picarelli, Ms. Carter, and Mr. Bastien reiterated that the CARES Act set a specific time period for distributions and loans from March 27, 2020 to the end of 2020. Federal action would be needed to extend that date. Many plans were looking at activating up to the various limits and then would revisit in the future.

Mr. Bastien noted the current NDC Plan Document would have to be amended to allow a second loan up to \$100,000 or 100% of account.

Mr. Boehmer stated they could implement everything, and he would work on updating the Plan Document change to be approved at a future meeting.

Vice Chair Bowman asked if there was an education or communication plan to roll out and how everything would be handled by the call center.

Mr. Bastien answered that the Voya call center had been educated about the CARES act provisions, so they were the least worrisome piece. Information would need to be given to local Voya Representatives so they knew how to educate participants and that would happen once a decision was made.

Motion by Dr. Ervin to allow for 457(b) plan Coronavirus Related Distributions per federal guidelines on dates and full limits allowed. Second by Mr. Kruse.

Mr. Kruse wanted to clarify the motion was to adopt the three separate provisions as lined out in the CARES Act.

Dr. Ervin was just addressing the distributions on the first motion and they could address the other items separately.

Vote on motion passed unanimously, 3-0.

Motion by Dr. Ervin to accept the loan provisions of the CARES Act as adopted by the Federal Government and amend the Plan Document to allow participants with a single general purpose loan to take a second loan up to the maximum of \$100,000 in total loan amount for the limited time period. The provision was applicable to the existing loan provision as written for State of Nevada employees only, not afforded to NSHE, Political Subdivisions, or FICA Alternative Plan employees. Second on motion by Mr. Kruse, motion carried unanimously, 3-0.

Mr. Boehmer stated the waiver of RMD's would happen automatically, but he wanted to discuss on the record. No RMD's would go out unless the participant requested it to happen. A customized communication for RMD recipients would be sent out so they were aware of the change.

5. Committee Members comments

No comments.

6. Updates from contracted Investment Consultant

No comments.

7. Update from contracted Recordkeeper

No comments.

8. Administrative Staff/Department of Administration Updates

Mr. Boehmer thanked everyone for being available for the meeting. He would move forward with Voya to implement the provisions. He would reach out to the Political Subdivisions to let them know what was approved. He commented on upcoming budget cuts since the Governor had asked agencies to cut 4% for the current fiscal year. For the next year they were asking for a 5% savings and 10-12% off the 2022 budget. He was working with Administrative Services Division and the Director's office for those cuts.

9. Public Comment

No public comment.

10. Adjournment

The meeting was adjourned at 10:16 a.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant