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STATE OF NEVADA DEPARTMENT OF ADMINISTRATION

PUBLIC EMPLOYEES' DEFERRED COMPENSATION PROGRAM

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**DEFERRED COMPENSATION COMMITTEE
PLANNING MEETING MINUTES**

January 11, 2021

The annual planning meeting of the Deferred Compensation Committee was held on Monday, January 11, 2021, at 8:30 a.m. by videoconference or 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:
<https://defcomp.nv.gov/Meetings/2021/2021/>.

COMMITTEE MEMBERS

Susie Chang
Kent Ervin
Jeff Ferguson
Matt Kruse, Vice Chair

OTHERS PRESENT

Bishop Bastien, Voya
Beth Blandford, Fundmap
Rob Boehmer, NDC Executive Officer
Rasch Cousineau, Hyas Group
Scott Crowell, Edelman Financial Engines
Scott Darcy, Voya
Merrill Desrosiers, Voya
Joseph Dinan, Edelman Financial Engines

Charles Griffon, Voya
Roseanne Orozco, RTC
Henna Rasul, Sr. Deputy Attorney General
Micah Salerno, NDC Admin. Assistant
Migle Valunte, NSHE
Jason White, Voya
Jelena Williams, RTC

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

Vice Chairman Kruse called the annual planning meeting to order for the Nevada Deferred Compensation (NDC) Committee at 8:31 a.m. on Monday, January 11, 2021.

Mr. Boehmer took roll and determined a quorum was present and confirmed the meeting was properly noticed and posted. He noted that Chairwoman Debbie Bowman was excused due to her new position with Department of Corrections.

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 December 1, 2020.

Motion by Dr. Ervin to approve the minutes from December 1, 2020, second by Mr. Ferguson. Motion passed unanimously, 4-0.

4. For Possible Action – Receive and discuss Annual Training overview of the following:
 - a. Annual Boards and Commission and Open Meeting Law Training
DAG Henna Rasul presented an overview of Boards and Commissions and Open Meeting Law Training.
 - b. Fiduciary Duties Training Overview
Mr. Rasch Cousineau with Hyas Group provided a fiduciary training update regarding recent DOL ESG regulation, CARES Act legislation, retirement plan lawsuits, and DOL Cyber Security Fiduciary best practices.
5. For Possible Action – Conduct annual review and discussion of current NDC governing documents and plan design.
 - a. Investment Policy Statement (IPS)
Mr. Cousineau briefly reviewed the proposed IPS which would improve the document's specific, process, and simplicity. The Committee expected to approve the updated Hyas Group IPS at the upcoming March or June meeting. Hyas Group would provide two redlined versions at the March meeting: 1- the already reviewed redlined Hyas Group IPS, and 2- the redlined Hyas Group IPS that reflected the fund lineup changes that were requested at the December 2020 meeting, including:
 - i. Actively Managed Fixed Income Option – (NEW) – provide a search for the Committee to consider adding an actively managed fixed income option to the lineup.
 - ii. Large Cap – Map Vanguard Institutional Index (VINIX) to Vanguard Institutional Index PLUS (VIIX).
 - iii. 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 that 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.
 - iv. 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.
 - b. 457(b) Plan Document
 - Addition of SECURE Act option provision of qualified birth or adoption distributions was confirmed.
 - State Internal Audits Division Report and recommendations regarding the statutory authority of the NDC Program allowing Employer contributions into the Plan was discussed. Additional information would be provided at the March meeting.
 - Government Accounting Standards Board (GASB) 97 ruling on financial reporting and employer contributions. There were three potential groups within the Plan(s) that could be impacted by GASB 97:
 - i. Political Subdivision employers that offered a 457b match – Staff would reach out to those agencies to notify them of the upcoming GASB requirements to report the contributions as pension obligations.
 - ii. State employee participants (3-4 Boards) who received a match in the 457b – Staff would reach out internally to the appropriate State official – likely the comptroller – to discuss reporting requirements for those groups. There was also a discussion regarding establishing a mandatory 401(a) Plan for those

contributions although establishing such a plan would be further down the road, if at all.

- iii. FICA Alternative Plan (part-time) participants, also State employees, may be subject to GASB reporting. Staff would also discuss this group with the appropriate State officials.
- iv. Further discussion would occur at the March meeting. Implementation of the ruling was currently slated for July 2021. Hyas Group and Voya would also provide any guidance related to this matter as it became available from sources like NAGDCA and other industry associations.

Mr. Boehmer would update the Plan Document with new definitions from the SECURE Act on page 12 and 28 and the addition of Coronavirus loan and distribution information and added language for withdrawals allowed for Qualified Birth and Adoption. He would also revise the document so it clarified that NSHE and Political Subdivision employees were not included in the loan options, so there was no confusion.

Motion by Mr. Ferguson to approve the Plan Document, with corrections, second by Ms. Chang. Motion carried unanimously, 4-0.

Vice Chair Kruse called a 10-minute break.

c. Federal Insurance Contributions Act (FICA) Alternative Plan Document

- Plan Document recommended changes regarding the SECURE Act option provision of qualified birth and/or adoption was reviewed and approved.
- Revenue reserve for the FICA Administrative Account was reviewed. This item would be reviewed regularly with the goal of keeping the administrative account balance as low as possible.

Motion by Dr. Ervin to approve the FICA Alternative Plan Document with technical changes. Second by Mr. Ferguson, motion passed unanimously, 4-0.

d. Administrative Manual

- Amendments including recommended fee policy reference and IPS reference were reviewed and discussed. The Fee Policy Statement was added as Addendum B.
- The Administrative Fee threshold in place for accounts under \$1,000 was discussed. Additional options of \$750 and \$500 were provided. Further information such as terminated versus active employees was requested and would be provided by Voya.

Motion by Dr. Ervin to accept and approve the changes to the Administrative Manual. Second by Mr. Ferguson, motion carried unanimously, 4-0.

e. Discuss and review any proposed future Plan initiatives and/or Plan design changes

Committee and staff discussed the possible implementation of auto enrollment and opt-out features. Mr. Boehmer also commented on the new SMART 21 on-boarding and training initiative.

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

7. For Possible Action- Discuss and review adopted policy governing conducting Compliance and Financial Audits within the Program.

- a. Compliance Audit: Mr. Boehmer stated the last Compliance audit was conducted in 2017 by Melanie Walker with Segal Marco. Hyas Group would be providing a similar Compliance audit in summer 2021. The Hyas Group Compliance audit may include:
 - NV Plan Documents review
 - Governance documents (IPS, Administrative Manual) review
 - Sample audit of transactions (unforeseeable emergencies, withdrawals, contributions, loans)
 - Discussion of leading-edge practices not currently offered – auto enrollment, 401(a) Plans, HRA Plans, cyber security policy
 - Review of current administrative processes and procedures – internal and external (participant) communication structure
- b. FY2020 Financial Audit: Mr. Boehmer noted the Financial Audit was being finalized and scheduled to be completed by Casey Neilon prior to the March meeting. The last item they were waiting on was data from NSHE.

Vice Chair Kruse called for a one-hour lunch break.

6. For Possible Action- Receive and discuss Marketing/Communication/Education Administrative Plan for 2021:

- a. Mr. Scott Darcy with Voya reviewed the overall Plan Participation, Marketing, and Communication which included:
 - Voya's Report on 2020 vs. 2019 trends in participation engagement and assessing financial wellness.
 - Proposed marketing plan to increase Program participation and engagement in 2021.
 - 2020 Participant Satisfaction Survey results vs. 2019 and 2019
- b. Mr. Bishop Bastien presented a review of improvements to the Voya Financial participant website.
- c. Mr. Jason White with Voya Financial Advisors and Mr. Joe Dinan, and Mr. Scott Crowell with Financial Engines (FE) joined the meeting to present the Financial Wellness Analysis of the NDC Plan. FE discussed the potential fund lineup changes being considered by the Committee. FE's investment modeling would be adjusted according to the lineup changes, if applicable.
- d. No new items were suggested for the monthly and quarterly marketing and communication plan for 2021.
- e. Mr. Charles Griffon with Voya presented their Cyber Security Report.
- f. National Financial Security Week and Nevada Saves Month (October 2021) was discussed. Changes in 2020 due to COVID were successful and virtual meetings for participants on different topics were suggested for 2021.

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

8. For Possible Action- NDC Contract(s), RFP Development, current contract review, and discuss Program contract evaluations:

- a. Existing Contract expirations were reviewed.
The Committee directed staff to try and negotiate a 1-year extension for the Financial Audit, if the price was the same or lower than the current contract.
- b. Mandatory vendor ratings were discussed. Mr. Boehmer would provide blank evaluation sheets for the Committee members to complete.

9. For Possible Action- Discuss participation in training opportunities.

The NAGDCA conference was still planned to be in-person in Phoenix, Arizona on September 12-15, 2021. The Program would normally budget for 3 people (including Mr. Boehmer) to attend. At the time of the meeting there were no other training conferences scheduled.

10. For Possible Action- Receive, discuss, and approve Interlocal FICA Contract for Political Subdivision, Truckee Meadows Fire Protection District.

The Interlocal FICA Contract for Truckee Meadows Fire Protection District was tabled until the March meeting.

11. For Possible Action- Confirm upcoming NDC Quarterly Committee meetings for March 2 and June 9, 2021.

The upcoming NDC Quarterly Committee meeting dates were confirmed.

12. Committee Members comments

The Committee thanked staff and the presenters.

13. Update from Investment Consultant

Hyas Group had no additional comments.

14. Update from Recordkeeper

Voya had no further comments.

15. Administrative Staff/Department of Administration Updates

Mr. Boehmer thanked all attendees.

16. Public Comment

No comments from the public.

17. Adjournment

The meeting was adjourned at 4:08 p.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant



**EXECUTIVE OFFICER'S
REPORT**
March 2, 2021





NDC Budget, Revenue Review, Activity, and Contract Update

- **Financial Report FY2020**

- FY 2021 Budget Status Report- shows the current status of the NDC budget including projections and encumbrances.
 - Includes NDC Budget Tracking Report- shows a breakdown of each revenue category and projection worksheet that includes actual balance and projected balances for FY2021 to assist Admin. Staff with managing Program Revenue.
- 4th Quarter Expense and Revenue Report- Revenue Administrative Account with Voya

- **Quarter Plan Activity Report**- 4th Quarter Plan data report (attached)

- **City of North Las Vegas, Lincoln County, & Political Subdivision Update and Report**

- **Executive Branch Audit Committee Report**

- **2021 Legislative Report**

Deferred Compensation Program
Legislative Approved Budget Plus Adjustments (Adjusted Amounts in Bold)
Fiscal Years 2019-20 and FY 2020-21

| <u>Revenue/Expense</u> | <u>FY 2019-20</u> | <u>Comments</u> | <u>FY 2020-21</u> | <u>Comments</u> |
|---|-------------------|---------------------------------------|-------------------|--|
| <u>Revenues</u> | | | | |
| Balance Forward | \$27,888 | Updated Balance Forward Estimate | \$91,689 | Leg App Bal Forward |
| Admin Charge (Actual) | \$348,000 | (Projected for FY2021)-----> | \$380,000 | NDC Vol. Plan Annual Revenue Projection: 15045 participants X \$26.50 = \$398,692 |
| Interest Earned | \$557 | | \$557 | FICA Alt. Annual Revenue Projection = 28,803 participants X \$.80 = \$23,042 |
| Total Revenue | \$376,445 | | \$472,246 | |
| <u>Expenses</u> | | | | |
| Salaries | \$178,119 | | \$191,819 | FY2021 FURLOUGHS are now reflected in projection |
| O/S Travel | \$0 | | \$0 | Transitioned authority to Training Category in 2019 |
| In-State Travel | \$986 | | \$3,172 | |
| Operating | \$157,799 | W/P Est. for new Fin. Audit Contract | \$156,637 | W/P Est. for new Fin. Audit Contract = \$8,150 |
| Information Services | \$9,537 | | \$19,955 | W/P Est. for EITS Programing to CP Data File = \$12,185 |
| Training | \$8,957 | | \$8,857 | includes all of the items previously in CAT 02 |
| Dept Cost Allocation | \$18,530 | | \$20,563 | |
| Purchasing Assess | \$7,536 | | \$11,456 | |
| Statewide Cost Allocation | \$5,194 | | \$11,302 | |
| AG Cost Allocation | \$0 | | \$0 | |
| Sub-total | \$386,658 | | \$423,761 | Projected Admin. Expense W/ Proposed Budget Cuts |
| Reserve | \$76,600 | WP- Adj. Leg. Approved Bal. Fwd. | \$77,283 | Est.- Adj. Leg. Approved Bal. Fwd. |
| Total Expense + Reserve | \$463,258 | | \$501,044 | |
| Estimated Impact on reserve | (\$86,813) | Total Revenue - Total Expense/Reserve | (\$28,798) | Total Revenue - Total Expense/Reserve |
| <u>Impact on Reserve Balance at End of Biennium</u> | | | | |
| Est Reserve in Budget Account - FY 2020-21 | | FY2020 | FY 2021 | |
| | | \$88,791 | \$91,689 | Row 27- Reserve proj. for corresponding FY Based on current Participant projection listed in (I9) or future participant accounts being charged throughout Biennium |
| Est Balance in Voya Admin Account - 12/31/2020 and 2021 | | \$186,891 | \$251,386 | |
| Est Total Reserve Balance at 6/30/2020 and 2021 | | \$275,682 | \$343,075 | |
| % reserve to annual expenses | | 71.30% | 80.96% | |
| Days of reserve available | | 260 Days | 295 Days | 365 Days X % reserve to annual expenses |
| <u>Admin Revenues in Voya Account</u> | | | | |
| Balance as of 11/16/2020 | \$155,238 | | | |
| <u>Recap - FY 2020-21</u> | | | | |
| | | FY2020 | FY2021 | |
| Ongoing Revenues | | \$348,557 | \$380,557 | |
| Ongoing Expenses | | \$386,658 | \$423,761 | |
| Revenue Over/(Under) Expense | | (\$38,101) | -\$43,204 | |

| Category | Desc | Cumulative % | L01 | Work Program | Actual | Budget Balance | Projection | Actual Plus Projection | Projected Budget Balance |
|------------------------|---------------------------------------|--------------|---------|--------------|------------|----------------|-------------|------------------------|--------------------------|
| 00 | 3849 ADMINISTRATION CHARGE | | 453,768 | 453,768 | 225,000.00 | 228,768.00 | 172,768.00 | 397,768.00 | 56,000.00 |
| 00 | 4203 PRIOR YEAR REFUND | | 0 | 0 | - | - | - | - | - |
| 00 | 4326 TREASURER'S INTEREST DISTRIUTION | | 557 | 557 | 245.31 | 311.69 | 311.69 | 557.00 | - |
| Total Rev | | | 454,325 | 454,325 | 225,245.31 | 229,079.69 | 173,079.69 | 398,325.00 | 56,000.00 |
| 01 | PERS SERVICE | 0.00% | 206,380 | 206,380 | 105,362.35 | 101,017.65 | 86,456.30 | 191,818.65 | 14,561.35 |
| 03 | IN ST TRAV | 0.00% | 3,172 | 3,172 | - | 3,172.00 | - | - | 3,172.00 |
| 04 | OPERATING | 5.80% | 150,750 | 159,500 | 43,564.90 | 115,935.10 | 113,072.04 | 156,636.94 | 2,863.06 |
| 26 | INFO SVCS | 142.33% | 8,561 | 20,746 | 4,787.63 | 15,958.37 | 15,167.26 | 19,954.89 | 791.11 |
| 30 | TRAINING | 0.00% | 8,957 | 8,957 | 1,000.00 | 7,957.00 | - | 1,000.00 | 7,957.00 |
| 82 | ADM CST ALLO | 0.00% | 20,563 | 20,563 | 10,506.50 | 10,056.50 | 10,056.50 | 20,563.00 | - |
| 87 | PURCH ASMNT | 0.00% | 11,456 | 11,456 | 8,592.00 | 2,864.00 | 2,864.00 | 11,456.00 | - |
| 88 | SWCAP | 0.00% | 11,302 | 11,302 | 5,651.00 | 5,651.00 | 5,651.00 | 11,302.00 | - |
| 89 | AG COST ALLO | 100.00% | 0 | 0 | - | - | - | - | - |
| Total Exp | | | 421,141 | 442,076 | 179,464.38 | 262,611.62 | 233,267.10 | 412,731.48 | 29,344.52 |
| Operating Income | | | 33,184 | 12,249 | 45,780.93 | (33,531.93) | (60,187.41) | (14,406.48) | 26,655.48 |
| Beg Net Assets | | | 88,791 | 91,689 | 91,689.00 | - | - | 91,689.00 | - |
| End Net Assets | | | 121,975 | 103,938 | 137,469.93 | (33,531.93) | (60,187.41) | 77,282.52 | 26,655.48 |
| Days Exp in Ending Rsv | | | 0 | 85 | - | - | - | 67.41 | - |

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| GL | Desc | Work Program | Actual | Budget Balance | Projection | Actual Plus Projection | Projected Budget Balance |
|--------------|-----------------------------------|----------------|-------------------|-------------------|------------------|---------------------------|-----------------------------|
| 5100 | SALARIES | 154,414 | 72,866.42 | 81,547.58 | 62,257.93 | 135,124.35 | 19,289.65 |
| 5120 | FURLOUGH AJ | 0 | (549.12) | 549.12 | 549.12 | - | - |
| 5200 | WORKERS COMPENSATION | 1,728 | 791.78 | 936.22 | 936.22 | 1,728.00 | - |
| 5300 | RETIREMENT | 23,548 | 15,944.63 | 7,603.37 | 5,656.34 | 21,600.97 | 1,947.03 |
| 5301 | RET EE/ER | 0 | 3,311.39 | (3,311.39) | - | 3,311.39 | (3,311.39) |
| 5400 | PERSONNEL ASSESSMENT | 538 | 269.00 | 269.00 | 269.00 | 538.00 | - |
| 5420 | CB ASSESSMNT | 0 | 6.00 | (6.00) | - | 6.00 | (6.00) |
| 5500 | GROUP INSURANCE | 18,800 | 6,266.40 | 12,533.60 | 12,533.60 | 18,800.00 | - |
| 5610 | SICK LEAVE | 0 | 463.30 | (463.30) | - | 463.30 | (463.30) |
| 5620 | ANNUAL LEAVE | 0 | 2,345.52 | (2,345.52) | - | 2,345.52 | (2,345.52) |
| 5630 | HOLIDAY LEAVE | 0 | - | - | - | - | - |
| 5640 | COMP TIME LEAVE | 0 | - | - | - | - | - |
| 5650 | OTHER LEAVE | 0 | - | - | - | - | - |
| 5660 | FURLOUGH LV | 0 | 549.12 | (549.12) | - | 549.12 | (549.12) |
| 5700 | PAYROLL ASSESSMENT | 177 | 88.50 | 88.50 | 88.50 | 177.00 | - |
| 5750 | RETIRED EMPLOYEES GROUP INSURANCE | 4,215 | 1,785.90 | 2,429.10 | 2,429.10 | 4,215.00 | - |
| 5800 | UNEMPLOYMENT COMPENSATION | 240 | 119.99 | 120.01 | 120.01 | 240.00 | - |
| 5810 | OVERTIME PAY | 0 | - | - | - | - | - |
| 5820 | HOLIDAY PAY | 0 | - | - | - | - | - |
| 5830 | COMP TIME PAYOFF | 0 | - | - | - | - | - |
| 5840 | MEDICARE | 2,240 | 1,023.52 | 1,216.48 | 1,216.48 | 2,240.00 | - |
| 5860 | BOARD AND COMMISSION PAY | 480 | 80.00 | 400.00 | 400.00 | 480.00 | - |
| 5880 | SHIFT DIFFERENTIAL PAY | 0 | - | - | - | - | - |
| 5901 | PAYROLL ADJUSTMENT | 0 | - | - | - | - | - |
| 5910 | STANDBY PAY | 0 | - | - | - | - | - |
| 5960 | TERMINAL SICK LEAVE PAY | 0 | - | - | - | - | - |
| 5970 | TERMINAL ANNUAL LEAVE PAY | 0 | - | - | - | - | - |
| 5975 | FORFEITED ANNUAL LEAVE PAYOFF | 0 | - | - | - | - | - |
| 5980 | CALL BACK PAY | 0 | - | - | - | - | - |
| Total | | 206,380 | 105,362.35 | 101,017.65 | 86,456.30 | 191,818.65 | 14,561.35 |

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| GL | Desc | Work Program | Actual | Budget Balance | Projection | Actual Plus Projection | Projected Budget Balance |
|--------------|--------------------------------|--------------|----------|-----------------|------------|---------------------------|-----------------------------|
| 6001 | OTHER TRAVEL EXPENSES | 51 | - | 51.00 | - | - | 51.00 |
| 6200 | PER DIEM IN-STATE | 575 | - | 575.00 | - | - | 575.00 |
| 6210 | FS DAILY RENTAL IN-STATE | 371 | - | 371.00 | - | - | 371.00 |
| 6215 | NON-FS VEHICLE RENTAL IN-STATE | 138 | - | 138.00 | - | - | 138.00 |
| 6230 | PUBLIC TRANSPORTATION IN-STATE | 0 | - | - | - | - | - |
| 6240 | PERSONAL VEHICLE IN-STATE | 900 | - | 900.00 | - | - | 900.00 |
| 6250 | COMM AIR TRANS IN-STATE | 1,137 | - | 1,137.00 | - | - | 1,137.00 |
| Total | | 3,172 | - | 3,172.00 | - | - | 3,172.00 |

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| GL | Desc | Work Program | Actual | Budget Balance | Projection | Actual Plus Projection | Projected Budget Balance |
|--------------|---------------------------------------|----------------|------------------|-------------------|-------------------|---------------------------|-----------------------------|
| 7020 | OPERATING SUPPLIES | 153 | 41.11 | 111.89 | 111.89 | 153.00 | - |
| 7026 | OPERATING SUPPLIES - PAPER | 124 | 54.22 | 69.78 | 387.84 | 442.06 | (318.06) |
| 7045 | STATE PRINTING CHARGES | 0 | - | - | - | - | - |
| 7050 | EMPLOYEE BOND INSURANCE | 6 | 6.00 | - | - | 6.00 | - |
| 7051 | B&G - PROP. & CONT. INSURANCE | 56 | 56.00 | - | - | 56.00 | - |
| 7054 | AG TORT CLAIM ASSESSMENT | 171 | 170.96 | 0.04 | - | 170.96 | 0.04 |
| 7060 | CONTRACTS - TEMP HIRE STATEWIDE | 50,841 | 9,285.81 | 41,555.19 | 41,555.19 | 50,841.00 | - |
| 7063 | CONTRACTS - COMPLIANCE AUDIT | 0 | - | - | - | - | - |
| 7065 | CONTRACTS - HYAS GROUP & CASEY NEILON | 99,250 | 30,000.00 | 69,250.00 | 66,750.00 | 96,750.00 | 2,500.00 |
| 7100 | STATE OWNED BLDG RENT-B&G | 4,269 | 1,067.25 | 3,201.75 | 3,201.75 | 4,269.00 | - |
| 7103 | STATE OWNED MEETING ROOM RENT | 0 | - | - | - | - | - |
| 7285 | POSTAGE - STATE MAILROOM | 207 | 154.84 | 52.16 | 122.08 | 276.92 | (69.92) |
| 7286 | MAILSTOP - STATE MAILROOM | 2,489 | 2,489.00 | - | - | 2,489.00 | - |
| 7289 | EITS PHONE LINE AND VOICEMAIL | 419 | 209.70 | 209.30 | 209.30 | 419.00 | - |
| 7294 | CONFERENCE CALL CHARGES | 151 | - | 151.00 | - | - | 151.00 |
| 7296 | EITS LONG DISTANCE CHARGES | 164 | 30.01 | 133.99 | 133.99 | 164.00 | - |
| 7301 | MEMBERSHIP DUES | 600 | - | 600.00 | 600.00 | 600.00 | - |
| 7302 | REGISTRATION FEES | 0 | - | - | - | - | - |
| 7330 | SPECIAL REPORT SERVICES AND FEES | 49 | - | 49.00 | - | - | 49.00 |
| 7430 | PROFESSIONAL SERVICES | 176 | - | 176.00 | - | - | 176.00 |
| 7460 | EQUIPMENT < \$1,000 | 375 | - | 375.00 | - | - | 375.00 |
| Total | | 159,500 | 43,564.90 | 115,935.10 | 113,072.04 | 156,636.94 | 2,863.06 |

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| GL | Desc | Work Program | Actual | Budget Balance | Projection | Actual Plus Projection | Projected Budget Balance |
|--------------|--------------------------------|---------------|-----------------|------------------|------------------|---------------------------|-----------------------------|
| 7026 | OPERATING SUPPLIES - TONER | 1,268 | 633.27 | 634.73 | (387.84) | 245.43 | 1,022.57 |
| 7073 | SOFTWARE MAINTENANCE | 0 | 333.30 | (333.30) | - | 333.30 | (333.30) |
| 7460 | EQUIPMENT PURCHASES <\$1,000 | 161 | 59.00 | 102.00 | - | 59.00 | 102.00 |
| 7510 | EITS PROGRAMMER/DEVELOPER | 12,185 | - | 12,185.00 | 12,185.00 | 12,185.00 | - |
| 7532 | EITS WEB HOSTING | 1,660 | 829.98 | 830.02 | 830.02 | 1,660.00 | - |
| 7542 | EITS SILVERNET ACCESS | 3,192 | 1,596.00 | 1,596.00 | 1,596.00 | 3,192.00 | - |
| 7547 | EITS PRODUCTIVITY SUITE | 1,496 | 748.08 | 747.92 | 748.08 | 1,496.16 | (0.16) |
| 7554 | EITS INFRASTRUCTURE ASSESSMENT | 553 | 414.75 | 138.25 | 138.25 | 553.00 | - |
| 7556 | EITS SECURITY ASSESSMENT | 231 | 173.25 | 57.75 | 57.75 | 231.00 | - |
| 8371 | COMPUTER HARDWARE <\$5,000 | 0 | - | - | - | - | - |
| Total | | 20,746 | 4,787.63 | 15,958.37 | 15,167.26 | 19,954.89 | 791.11 |

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| GL | Desc | Work Program | Actual | Budget Balance | Projection | Actual Plus Projection | Projected Budget Balance |
|-------|-------------------------------|--------------|----------|----------------|------------|---------------------------|-----------------------------|
| 6100 | PER DIEM OUT-OF-STATE | 4,224 | - | 4,224.00 | - | - | 4,224.00 |
| 6130 | PUBLIC TRANSPORT OUT-OF-STATE | 300 | - | 300.00 | - | - | 300.00 |
| 6140 | PERSONAL VEHICLE OUT-OF-STATE | 831 | - | 831.00 | - | - | 831.00 |
| 6150 | CMM AIR OOS | 1,952 | - | 1,952.00 | - | - | 1,952.00 |
| 7300 | DUES AND REGISTRATION | 0 | - | - | - | - | - |
| 7302 | REGISTRATION FEES | 1,650 | 1,000.00 | 650.00 | - | 1,000.00 | 650.00 |
| Total | | 8,957 | 1,000.00 | 7,957.00 | - | 1,000.00 | 7,957.00 |

FY 2021, BA 1017 ADMIN - DEFERRED COMP, Exported 2/11/2021 12:29:46 PM

Cat 82 ADM CST ALLO, Exported 2/11/2021 12:29:46 PM

| GL | Desc | Work Program | Actual | Budget Balance | Projection | Actual Plus Projection | Projected Budget Balance |
|-------|---|--------------|-----------|----------------|------------|---------------------------|-----------------------------|
| 7389 | 16-17 CENTRALIZED PERSONNEL SERVICES COST ALLOC | 900 | 675.00 | 225.00 | 225.00 | 900.00 | - |
| 7398 | DIRECTOR'S COST ALLOCATION | 2,388 | 1,194.00 | 1,194.00 | 1,194.00 | 2,388.00 | - |
| 7439 | DEPT OF ADMIN - ADMIN SER DIV | 17,275 | 8,637.50 | 8,637.50 | 8,637.50 | 17,275.00 | - |
| Total | | 20,563 | 10,506.50 | 10,056.50 | 10,056.50 | 20,563.00 | - |

FY 2021, BA 1017 ADMIN - DEFERRED COMP, Exported 2/11/2021 12:29:46 PM

Cat 82 ADM CST ALLO, Exported 2/11/2021 12:29:46 PM

| GL | Desc | Work Program | Actual | Budget Balance | Projection | Actual Plus Projection | Projected Budget Balance |
|-------|---|--------------|-----------|----------------|------------|---------------------------|-----------------------------|
| 7389 | 16-17 CENTRALIZED PERSONNEL SERVICES COST ALLOC | 900 | 675.00 | 225.00 | 225.00 | 900.00 | - |
| 7398 | DIRECTOR'S COST ALLOCATION | 2,388 | 1,194.00 | 1,194.00 | 1,194.00 | 2,388.00 | - |
| 7439 | DEPT OF ADMIN - ADMIN SER DIV | 17,275 | 8,637.50 | 8,637.50 | 8,637.50 | 17,275.00 | - |
| Total | | 20,563 | 10,506.50 | 10,056.50 | 10,056.50 | 20,563.00 | - |

FY 2021, BA 1017 ADMIN - DEFERRED COMP, Exported 2/11/2021 12:29:46 PM

Cat 87 PURCH ASMNT, Exported 2/11/2021 12:29:46 PM

| GL | Desc | Work Program | Actual | Budget Balance | Projection | Actual Plus Projection | Projected Budget Balance |
|-------|-----------------------|--------------|----------|----------------|------------|---------------------------|-----------------------------|
| 7393 | PURCHASING ASSESSMENT | 11,456 | 8,592.00 | 2,864.00 | 2,864.00 | 11,456.00 | - |
| Total | | 11,456 | 8,592.00 | 2,864.00 | 2,864.00 | 11,456.00 | - |

FY 2021, BA 1017 ADMIN - DEFERRED COMP, Exported 2/11/2021 12:29:46 PM

Cat 88 SWCAP, Exported 2/11/2021 12:29:46 PM

| GL | Desc | Work Program | Actual | Budget Balance | Projection | Actual Plus Projection | Projected Budget Balance |
|-------|--------------------------------|--------------|----------|----------------|------------|---------------------------|-----------------------------|
| 7384 | STATEWIDE COST ALLOCATION PLAN | 11,302 | 5,651.00 | 5,651.00 | 5,651.00 | 11,302.00 | - |
| Total | | 11,302 | 5,651.00 | 5,651.00 | 5,651.00 | 11,302.00 | - |

FY 2021, BA 1017 ADMIN - DEFERRED COMP, Exported 2/11/2021 12:29:46 PM

Cat 89 AG COST ALLO, Exported 2/11/2021 12:29:46 PM

| GL | Desc | Work Program | Actual | Budget Balance | Projection | Actual Plus Projection | Projected Budget Balance |
|-------|-----------------------------|--------------|--------|----------------|------------|---------------------------|-----------------------------|
| 7391 | ATTORNEY GENERAL COST ALLOC | 0 | - | - | - | - | - |
| Total | | 0 | - | - | - | - | - |



State of Nevada Deferred Compensation Plan Admin Account

| Trade Date | Fund | Transaction | Cash | Description |
|------------|--------------------|---------------|-----------------|--|
| 1/4/2018 | Voya Fixed Account | Fee Paid | \$ (82,000.00) | INVOICE #NDCQ02-18 |
| 2/21/2018 | Voya Fixed Account | Reimbursement | \$ 82,475.41 | 4th Q 2017 Reimbursement |
| 3/21/2018 | Voya Fixed Account | Reimbursement | \$ 96,277.50 | 1st Q 2018 Reimbursement |
| 4/2/2018 | Voya Fixed Account | Fee Paid | \$ 1,500.00 | 1st Q 2018 Loan Fee Reimbursement of \$25.00 per Loan Issued |
| 4/6/2018 | Voya Fixed Account | Fee Paid | \$ (82,000.00) | INVOICE #NDCQ03-18 |
| 6/21/2018 | Voya Fixed Account | Reimbursement | \$ 94,957.50 | 2nd Q 2018 Reimbursement |
| 7/2/2018 | Voya Fixed Account | Fee Paid | \$ 1,900.00 | 2nd Q 2018 Loan Fee Reimbursement of \$25.00 per Loan Issued |
| 7/5/2018 | Voya Fixed Account | Fee Paid | \$ (81,109.00) | INVOICE #NDCQ04-18 |
| 9/21/2018 | Voya Fixed Account | Reimbursement | \$ 93,847.50 | 3rd Q 2018 Reimbursement |
| 9/27/2018 | Voya Fixed Account | Fee Paid | \$ (108,404.75) | INVOICE #NDCQ01-19 |
| 10/4/2018 | Voya Fixed Account | Reimbursement | \$ 1,700.00 | 3rd Q 2018 Loan Fee Reimbursement of \$25.00 per Loan Issued |
| 12/26/2018 | Voya Fixed Account | Reimbursement | \$ 92,715.00 | 4th Q 2018 Reimbursement |
| 1/2/2019 | Voya Fixed Account | Reimbursement | \$ 1,250.00 | 4th Q 2018 Loan Fee Reimbursement of \$25.00 per Loan Issued |
| 1/8/2019 | Voya Fixed Account | Fee Paid | \$ (75,000.00) | INVOICE #NDCQ02-19 |
| 3/25/2019 | Voya Fixed Account | Reimbursement | \$ 99,345.00 | 1st Q 2019 Reimbursement |
| 4/3/2019 | Voya Fixed Account | Reimbursement | \$ 1,075.00 | 1st Q 2019 Loan Fee Reimbursement of \$25.00 per Loan Issued |
| 4/17/2019 | Voya Fixed Account | Fee Paid | \$ 75,000.00 | INVOICE #NDCQ03-19 |
| 6/24/2019 | Voya Fixed Account | Reimbursement | \$ 98,205.00 | 2nd Q 2019 Reimbursement |
| 7/8/2019 | Voya Fixed Account | Reimbursement | \$ 1,925.00 | 2nd Q 2019 Loan Fee Reimbursement of \$25.00 per Loan Issued |
| 7/18/2019 | Voya Fixed Account | Fee Paid | \$ 150,000.00 | INVOICE #NDCQ04-19 |
| 9/23/2019 | Voya Fixed Account | Reimbursement | \$ 96,930.00 | 3rd Q 2019 Reimbursement |
| 10/21/2019 | Voya Fixed Account | Fee Paid | \$ 100,000.00 | INVOICE #NDCQ01-20 |
| 10/25/2019 | Voya Fixed Account | Reimbursement | \$ 1,525.00 | 3rd Q 2019 Loan Fee Reimbursement of \$25.00 per Loan Issued |
| 12/24/2019 | Voya Fixed Account | Reimbursement | \$ 107,865.00 | 4th Q 2019 Reimbursement |
| 1/21/2020 | Voya Fixed Account | Reimbursement | \$ 15,937.50 | Reimbursement of Fees not taken by Voya - 1st, 2nd and 3rd Q 2019 |
| 1/21/2020 | Voya Fixed Account | Fee Paid | \$ 123,000.00 | INVOICE #NDCQ02-20 & INVOICE #NDCRFP08DOA-S514-2020 |
| 2/18/2020 | Voya Fixed Account | Reimbursement | \$ 1,850.00 | 4th Q 2019 Loan Fee Reimbursement of \$25.00 per Loan Issued |
| 3/24/2020 | Voya Fixed Account | Reimbursement | \$ 83,889.55 | 1st Q 2020 Reimbursement |
| 7/2/2020 | Voya Fixed Account | Reimbursement | \$ 89,048.23 | 2nd Q 2020 Reimbursement |
| 7/2/2020 | Voya Fixed Account | Fee Paid | \$ 125,000.00 | INVOICE #NDCQ04-20 |
| 10/2/2020 | Voya Fixed Account | Reimbursement | \$ 91,145.57 | 3rd Q 2020 Reimbursement |
| 10/19/2020 | Voya Fixed Account | Fee Paid | \$ 125,000.00 | INVOICE #NDCQ01-21 |
| 11/9/2020 | Voya Fixed Account | Reimbursement | \$ 325.00 | October 2020 - Loan Fee Reimbursement of \$25.00 Per Loan Issued (13 Loans) |
| 12/9/2020 | Voya Fixed Account | Reimbursement | \$ 300.00 | November 2020 - Loan Fee Reimbursement of \$25.00 Per Loan Issued (12 Loans) |
| 1/5/2021 | Voya Fixed Account | Reimbursement | \$ 300.00 | December 2020 - Loan Fee Reimbursement of \$25.00 Per Loan Issued (12 Loans) |
| 1/5/2021 | Voya Fixed Account | Reimbursement | \$ 94,770.85 | 4th Q 2020 Reimbursement |

Funds credited to the Admin Reimbursement Account are invested in the Voya Fixed Account and Interest is Credited on a daily basis.

Current Credited Interest Rate is 3.10%

1st Q 2018 Interest Credited - \$476.59

2nd Q 2018 Interest Credited - \$904.62

3rd Q 2018 Interest Credited - \$991.55

4th Q 2018 Interest Credited - \$940.58

1st Q 2019 Interest Credited - \$1,086.53

2nd Q 2019 Interest Credited - \$1,362.18

3rd Q 2019 Interest Credited - \$1,200.70

4th Q 2019 Interest Credited - \$1,115.47

1st Q 2020 Interest Credited - \$1,264.08

2nd Q 2020 Interest Credited - \$1,682.71

3rd Q 2020 Interest Credited - \$1,453.57

4th Q 2020 Interest Credited - \$1,373.77

Balance as of 1/8/2021 - \$251,386.15



State of Nevada FICA Alternative Plan Admin Account

| Trade Date | Fund | Transaction | Cash | Description |
|------------|--------------------|---------------|-------------|--------------------------|
| 3/24/2020 | Voya Fixed Account | Reimbursement | \$ 6,128.89 | 1st Q 2020 Reimbursement |
| 7/2/2020 | Voya Fixed Account | Reimbursement | \$ 6,242.72 | 2nd Q 2020 Reimbursement |
| 10/2/2020 | Voya Fixed Account | Reimbursement | \$ 6,387.86 | 3rd Q 2020 Reimbursement |
| 1/5/2021 | Voya Fixed Account | Reimbursement | \$ 5,751.56 | 4th Q 2020 Reimbursement |

Funds credited to the Admin Reimbursement Account are invested in the Voya Fixed Account and Interest is Credited on a daily basis.

Current Credited Interest Rate is 2.25%

1st Q 2020 Interest Credited \$2.61

2nd Q 2020 Interest Credited \$34.01

3rd Q 2020 Interest Credited \$69.37

4th Q 2020 Interest Credited \$105.02

Balance as of 1/8/2021 - \$24,731.26



State of Nevada Deferred Compensation Plan Quarterly Fee Report

| 4th Quarter 2020 Fees | 625031 | 625032 | 625033 | Totals |
|---|----------------------|---------------------|--------------------|----------------------|
| # of Accounts as of 12/31/2020 | 11918 | 3406 | 1096 | 16420 |
| # of Accounts Valued over \$1,000 as of 12/31/2020 | 10915 | 3212 | 918 | 15045 |
| # of Accounts Valued under \$1,000 as of 12/31/2020 | 1003 | 194 | 178 | 1375 |
| Quarterly Fee | \$ 10.25 | \$ 10.25 | \$ 10.25 | |
| Nevada Portion of Per Account Fee | \$ 6.63 | \$ 6.63 | \$ 6.63 | |
| Voya Portion of Per Account Fee | \$ 3.62 | \$ 3.62 | \$ 3.62 | |
| Total Fees Drawn from Accounts 12/31/2020 | <u>\$ 111,878.75</u> | <u>\$ 32,923.00</u> | <u>\$ 9,409.50</u> | <u>\$ 154,211.25</u> |
| Nevada Fee Reimbursement | \$ 72,366.45 | \$ 21,295.56 | \$ 6,086.34 | \$ 99,748.35 |
| Less Voya Portion due for accounts less than \$1,000 | \$ 3,630.86 | \$ 702.28 | \$ 644.36 | \$ 4,977.50 |
| Nevada Total Reimbursement | <u>\$ 68,735.59</u> | <u>\$ 20,593.28</u> | <u>\$ 5,441.98</u> | <u>\$ 94,770.85</u> |
| Voya Fee | <u>\$ 43,143.16</u> | <u>\$ 12,329.72</u> | <u>\$ 3,967.52</u> | <u>\$ 59,440.40</u> |



State of Nevada FICA Alternative Quarterly Fee Report

| | |
|--|---------------------|
| 4th Quarter 2020 Fees | 625030 |
| # of Accounts as of 12/31/2020 | 28803 |
| Quarterly Fee | \$ 0.55 |
| Nevada Portion of Per Account Fee | \$ 0.20 |
| Voya Portion of Per Account Fee | \$ 0.35 |
| Total Fees Drawn from Accounts 12/31/2020 | <u>\$ 15,816.78</u> |
| Nevada Fee Portion | <u>\$ 5,751.56</u> |
| Voya Fee Portion | <u>\$ 10,065.22</u> |

| Total 2020 Enrollments | | | | Enrollment Comparison | | Enrollment Breakdown | | | | | | | | | | | |
|------------------------|---------------|--------------------|------------|-----------------------|-------------|----------------------|---------------|--------------------|------------|-----------------------|---------------|--------------------|------------|----------------|---------------|--------------------------|------------|
| | EZ Enrollment | Enroll By Internet | Total | 2019 Total | Difference | State | EZ Enrollment | Enroll By Internet | Total | Political Subdivision | EZ Enrollment | Enroll by Internet | Total | NSHE | EZ Enrollment | Enroll by Workday/Online | Total |
| Jan | 83 | 70 | 153 | 166 | -13 | Jan | 62 | 21 | 83 | Jan | 20 | 7 | 27 | Jan | 1 | 42 | 43 |
| Feb | 77 | 52 | 129 | 143 | -14 | Feb | 65 | 30 | 95 | Feb | 12 | 0 | 12 | Feb | 0 | 22 | 22 |
| Mar | 42 | 20 | 62 | 103 | -41 | Mar | 32 | 8 | 40 | Mar | 10 | 0 | 10 | Mar | 0 | 12 | 12 |
| Q1 | 202 | 142 | 344 | 412 | -68 | 1st Qtr | 159 | 59 | 218 | 1st Qtr | 42 | 7 | 49 | 1st Qtr | 1 | 76 | 77 |
| YTD | 202 | 142 | 344 | 412 | -68 | YTD | 159 | 59 | 218 | YTD | 42 | 7 | 49 | YTD | 1 | 76 | 77 |
| Apr | 29 | 18 | 47 | 338 | -291 | Apr | 12 | 6 | 18 | Apr | 16 | 8 | 24 | Apr | 1 | 4 | 5 |
| May | 21 | 32 | 53 | 143 | -90 | May | 10 | 5 | 15 | May | 10 | 5 | 15 | May | 1 | 22 | 23 |
| Jun | 31 | 19 | 50 | 138 | -88 | Jun | 7 | 9 | 16 | Jun | 21 | 1 | 22 | Jun | 3 | 9 | 12 |
| Q2 | 81 | 69 | 150 | 619 | -469 | 2nd Qtr | 29 | 20 | 49 | 2nd Qtr | 47 | 14 | 61 | 2nd Qtr | 5 | 35 | 40 |
| YTD | 283 | 211 | 494 | 1,031 | -537 | YTD | 188 | 79 | 267 | YTD | 89 | 21 | 110 | YTD | 6 | 111 | 117 |
| Jul | 32 | 12 | 44 | 143 | -99 | Jul | 21 | 6 | 27 | Jul | 11 | 1 | 12 | Jul | 0 | 5 | 5 |
| Aug | 36 | 23 | 59 | 76 | -17 | Aug | 10 | 11 | 21 | Aug | 24 | 0 | 24 | Aug | 2 | 12 | 14 |
| Sep | 20 | 14 | 34 | 164 | -130 | Sep | 16 | 0 | 16 | Sep | 4 | 0 | 4 | Sep | 0 | 14 | 14 |
| Q3 | 88 | 49 | 137 | 383 | -246 | 3rd Qtr | 47 | 17 | 64 | 3rd Qtr | 39 | 1 | 40 | 3rd Qtr | 2 | 31 | 33 |
| YTD | 371 | 260 | 631 | 1,414 | -783 | YTD | 235 | 96 | 331 | YTD | 128 | 22 | 150 | YTD | 8 | 142 | 150 |
| Oct | 27 | 26 | 53 | 158 | -105 | Oct | 14 | 17 | 31 | Oct | 12 | 2 | 14 | Oct | 1 | 7 | 8 |
| Nov | 41 | 17 | 58 | 81 | -23 | Nov | 26 | 14 | 40 | Nov | 14 | 0 | 14 | Nov | 1 | 3 | 4 |
| Dec | 39 | 19 | 58 | 116 | -58 | Dec | 25 | 7 | 32 | Dec | 13 | 3 | 16 | Dec | 1 | 9 | 10 |
| Q4 | 107 | 62 | 169 | 355 | -186 | 4rd Qtr | 65 | 38 | 103 | 4rd Qtr | 39 | 5 | 44 | 4rd Qtr | 3 | 19 | 22 |
| Total | 478 | 322 | 800 | 1,769 | -969 | Total | 300 | 134 | 434 | Total | 167 | 27 | 194 | Total | 11 | 161 | 172 |

State of Nevada Loans

| 2020 | New Loans Dispersed | | New Dollars Dispersed | Loans Paid In Full | Loans Outstanding | Outstanding Balance | Principal Paid | Interest Paid | # Loans in Default | Loans \$ in Default | # Loans Deemed 1099R | Loan \$ Deemed 1099R |
|------------------|---------------------|-------------|------------------------|--------------------|-------------------|---------------------|------------------------|----------------------|--------------------|----------------------|----------------------|----------------------|
| | General | Residential | | | | | | | | | | |
| January | 25 | 0 | \$ 266,881.90 | 13 | 568 | \$ 3,692,578.95 | \$ 120,848.54 | \$ 16,054.51 | 2 | \$ 3,119.05 | 1 | \$ 4,929.27 |
| February | 28 | 0 | \$ 212,500.90 | 21 | 572 | \$ 3,761,340.58 | \$ 139,233.90 | \$ 16,368.23 | 4 | \$ 33,140.84 | 1 | \$ 29,421.74 |
| March | 24 | 0 | \$ 216,851.58 | 17 | 563 | \$ 3,702,386.88 | \$ 128,926.88 | \$ 17,049.48 | 16 | \$ 146,443.61 | 10 | \$ 85,883.29 |
| April | 10 | 0 | \$ 81,400.94 | 11 | 561 | \$ 3,632,961.73 | \$ 149,319.03 | \$ 17,396.55 | 10 | \$ 104,589.39 | 8 | \$ 76,365.27 |
| May | 13 | 1 | \$ 173,181.92 | 17 | 555 | \$ 3,640,673.64 | \$ 157,768.40 | \$ 16,585.87 | 3 | \$ 7,759.87 | 0 | \$ - |
| June | 20 | 2 | \$ 368,029.47 | 15 | 549 | \$ 3,811,486.23 | \$ 113,841.38 | \$ 16,076.37 | 2 | \$ 82,319.16 | 11 | \$ 70,715.18 |
| July | 23 | 4 | \$ 188,360.86 | 10 | 564 | \$ 3,806,063.65 | \$ 164,643.08 | \$ 16,274.72 | 7 | \$ 61,175.13 | 5 | \$ 33,347.68 |
| August | 29 | 3 | \$ 274,530.10 | 12 | 586 | \$ 3,919,394.15 | \$ 157,890.67 | \$ 16,399.40 | 2 | \$ 2,556.78 | 1 | \$ 2,162.39 |
| September | 11 | 0 | \$ 82,085.58 | 16 | 582 | \$ 3,846,836.27 | \$ 147,095.40 | \$ 16,204.71 | 9 | \$ 86,391.08 | 2 | \$ 465.13 |
| October | 15 | 0 | \$ 133,600.88 | 21 | 579 | \$ 3,816,213.87 | \$ 162,549.00 | \$ 16,339.44 | 4 | \$ 25,434.14 | 1 | \$ 2,390.07 |
| November | 11 | 2 | \$ 71,823.27 | 10 | 577 | \$ 3,692,011.61 | \$ 158,667.40 | \$ 15,387.86 | 6 | \$ 42,655.80 | 1 | \$ 12,109.36 |
| December | 12 | 0 | \$ 70,915.41 | 11 | 562 | \$ 3,489,158.37 | \$ 164,244.04 | \$ 15,068.91 | 12 | \$ 78,419.09 | 11 | \$ 89,399.77 |
| YTD Total | 221 | 12 | \$ 2,140,162.81 | 174 | | | \$ 1,765,027.72 | \$ 195,206.05 | 77 | \$ 674,003.94 | 52 | \$ 407,189.15 |

| Loan Totals Since Inception | Loans Issued | General | Residential | Total Dollars Dispersed | Loans Paid In Full | Principal Paid | Interest Paid | # Loans in Default | Loan \$ in Default | # Loans Deemed | Loan \$ Deemed |
|-----------------------------|--------------|---------|-------------|-------------------------|--------------------|----------------|-----------------|--------------------|--------------------|-----------------|----------------|
| | | 1,355 | 1,305 | 62 | \$ 11,986,180.00 | 547 | \$ 6,318,012.75 | \$ 833,778.32 | 330 | \$ 2,207,843.28 | 136 |

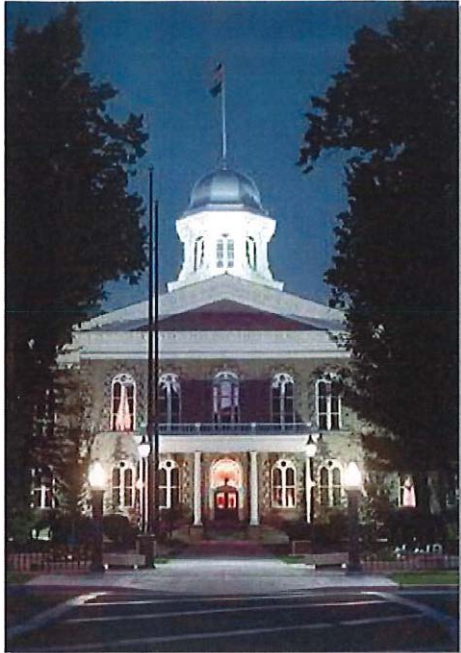
| | Loans Issued | General | Residential | Dollars Dispersed | Loans Paid In Full | Principal Paid | Interest Paid | # Loans in Default | Loan \$ in Default | # Loans Deemed | Loan \$ Deemed |
|------|--------------|---------|-------------|-------------------|--------------------|-----------------|---------------|--------------------|--------------------|----------------|----------------|
| 2015 | 138 | 133 | 5 | \$ 1,202,773.22 | 3 | \$ 134,020.86 | \$ 11,328.76 | 3 | \$ 35,663.52 | 0 | \$ - |
| 2016 | 234 | 216 | 18 | \$ 2,343,346.78 | 29 | \$ 738,804.18 | \$ 89,171.25 | 36 | \$ 219,679.51 | 9 | \$ 75,346.87 |
| 2017 | 254 | 243 | 11 | \$ 2,128,810.23 | 79 | \$ 114,768.04 | \$ 131,216.60 | 46 | \$ 285,061.37 | 16 | \$ 89,180.30 |
| 2018 | 254 | 244 | 10 | \$ 2,263,611.26 | 109 | \$ 1,478,729.29 | \$ 180,055.59 | 89 | \$ 443,531.06 | 32 | \$ 173,525.75 |

Nye County Loans

| 2020 | Loans Paid In Full | Loans Outstanding | Outstanding Balance | Principal Paid | Interest Paid | # Loans in Default | Loans \$ in Default | # Loans Deemed | Loan \$ Deemed |
|------------------|--------------------|-------------------|---------------------|---------------------|--------------------|--------------------|---------------------|----------------|----------------|
| January | 0 | 9 | \$ 51,660.37 | \$ 1,675.92 | \$ 223.62 | 1 | \$ 4,882.51 | 0 | \$ - |
| February | 0 | 9 | \$ 49,527.28 | \$ 2,133.09 | \$ 255.76 | 0 | \$ - | 0 | \$ - |
| March | 0 | 9 | \$ 47,979.91 | \$ 1,547.37 | \$ 185.83 | 0 | \$ - | 0 | \$ - |
| April | 0 | 9 | \$ 46,426.36 | \$ 1,553.55 | \$ 179.65 | 0 | \$ - | 0 | \$ - |
| May | 0 | 9 | \$ 37,990.81 | \$ 1,381.74 | \$ 168.44 | 2 | \$ 7,053.81 | 0 | \$ - |
| June | 0 | 7 | \$ 36,603.50 | \$ 1,387.31 | \$ 162.87 | 0 | \$ - | 0 | \$ - |
| July | 0 | 7 | \$ 35,210.53 | \$ 1,392.97 | \$ 157.21 | 0 | \$ - | 0 | \$ - |
| August | 1 | 6 | \$ 33,812.44 | \$ 1,550.18 | \$ 152.09 | 0 | \$ - | 0 | \$ - |
| September | 1 | 5 | \$ 32,467.11 | \$ 1,439.08 | \$ 188.18 | 0 | \$ - | 0 | \$ - |
| October | 0 | 5 | \$ 31,317.22 | \$ 1,149.48 | \$ 140.58 | 0 | \$ - | 0 | \$ - |
| November | 1 | 4 | \$ 30,897.88 | \$ 1,076.27 | \$ 134.14 | 0 | \$ - | 0 | \$ - |
| December | 0 | 4 | \$ 28,820.15 | \$ 1,001.46 | \$ 129.79 | 0 | \$ - | 0 | \$ - |
| YTD Total | 3 | 9 | | \$ 17,288.42 | \$ 2,078.16 | 3 | \$ 11,936.32 | 0 | \$ - |

Unforeseen Emergencies

| 2020 | State of Nevada | | Dollars Dispersed | Political Subdivision | | Dollars Dispersed | Nevada System of Higher Education | | Dollars Dispersed | Combined | | Total Dollars Dispersed |
|--------------|------------------|----------------|------------------------|-----------------------|----------------|----------------------|-----------------------------------|----------------|---------------------|------------------|----------------|-------------------------|
| | Paperwork Issued | UE's Dispersed | | Paperwork Issued | UE's Dispersed | | Paperwork Issued | UE's Dispersed | | Paperwork Issued | UE's Dispersed | |
| January | 16 | 11 | \$ 65,838.55 | 3 | 3 | \$ 8,357.94 | 0 | 0 | \$ - | 19 | 14 | \$ 74,196.49 |
| February | 25 | 8 | \$ 6,320.84 | 1 | 0 | \$ - | 3 | 1 | \$ 5,244.53 | 29 | 9 | \$ 11,565.37 |
| March | 10 | 8 | \$ 22,138.61 | 0 | 0 | \$ - | 0 | 0 | \$ - | 10 | 8 | \$ 22,138.61 |
| April | 18 | 12 | \$ 182,746.87 | 0 | 0 | \$ - | 1 | 1 | \$ 10,000.00 | 19 | 13 | \$ 192,746.87 |
| May | 29 | 23 | \$ 310,147.92 | 2 | 2 | \$ 13,519.90 | 0 | 0 | \$ - | 31 | 25 | \$ 323,667.82 |
| June | 63 | 27 | \$ 555,925.40 | 5 | 4 | \$ 166,035.37 | 1 | 1 | \$ 6,394.95 | 69 | 32 | \$ 728,355.72 |
| July | 52 | 24 | \$ 340,782.86 | 5 | 5 | \$ 144,037.44 | 2 | 3 | \$ 14,285.15 | 59 | 32 | \$ 499,105.45 |
| August | 56 | 43 | \$ 507,093.50 | 1 | 1 | \$ 20,000.00 | 3 | 3 | \$ 25,403.40 | 60 | 47 | \$ 552,496.90 |
| September | 41 | 38 | \$ 339,438.42 | 9 | 7 | \$ 154,197.01 | 0 | 0 | \$ - | 50 | 45 | \$ 493,635.43 |
| October | 36 | 35 | \$ 315,909.33 | 6 | 6 | \$ 89,817.51 | 0 | 0 | \$ - | 42 | 41 | \$ 405,726.84 |
| November | 43 | 41 | \$ 467,814.11 | 3 | 3 | \$ 76,000.00 | 1 | 1 | \$ 2,000.00 | 47 | 45 | \$ 545,814.11 |
| December | 44 | 42 | \$ 182,336.81 | 6 | 5 | \$ 76,876.27 | 1 | 1 | \$ 4,000.00 | 51 | 48 | \$ 263,213.08 |
| Total | 433 | 312 | \$ 3,296,493.22 | 41 | 36 | \$ 748,841.44 | 12 | 11 | \$ 67,328.03 | 486 | 359 | \$ 4,112,662.69 |



State of Nevada
Governor's Finance Office
Division of Internal Audits

Audit Report

**Department of Administration/
Deferred Compensation Program
and
Governor's Finance Office**

**Board of Pharmacy
Deferred Compensation Match**

**Clarifying deferred compensation statutes necessary
to help guide agency decisions.**

DIA Report No. 21-05
January 28, 2021

EXECUTIVE SUMMARY
DofA/Deferred Compensation Program and GFO
Board of Pharmacy Deferred Compensation Match
Clarify Deferred Compensation Program Statutory Guidelines

Introduction..... page 1

Objective: Clarify Deferred Compensation Program Guidelines

Propose Legislation Clarifying State Agency (Employer) Matching Contributions to Employee Deferred Compensation Accounts..... page 2

Proposing legislation clarifying state agency (employer) matching contributions, if any, will ensure all state employees are treated equitably and the intent for state employee compensation limits are adhered to by agency management. The Nevada Deferred Compensation Program, a voluntary 457(b) retirement savings program for employees of the state and local governments, allows state agency (employer) matching contributions despite unclear statutory guidance. There is no statutory language provided for employer matches, the language speaks only to managing a program for employee contributions.

The Board of Pharmacy employer matching contributions are unique and generous when compared to public and private sector matches. The Board's 50% match may not be excessive by private sector standards; however, the board offers both a defined-benefit pension plan (PERS) in addition to the deferred compensation plan with employer contribution, which is exceedingly rare in either a public or private sector plan. The Board's matching contributions favor higher paid, senior staff and may violate the intent of the "95% rule" for state employee compensation relative to the Governor's salary.

Three other state independent licensing boards contribute a percentage of salary regardless of the employees' contribution; none of these boards participate in PERS. The Board of Pharmacy is the only board or state agency that provides contributions to employees' deferred compensation accounts and also participates in PERS. The Department of Administration/Deferred Compensation Program plans to fully implement the recommendation by July 2023.

Refer Facts to the Office of the Attorney General to Determine Open Meeting Law Violations by the Board of Pharmacy on Deferred Compensation Match Decisions.....page 8

Referring facts to the Office of the Attorney General to determine if open meeting law violations were made by the Board of Pharmacy on deferred compensation match decisions will enhance public confidence in state agency decisions that employee compensation is equitable and the intent of state employee compensation limits is adhered to by agency management. The Board of Pharmacy's approval on matching contribution increases may not have been transparent. Board meeting agendas and minutes do not support public disclosure of deferred compensation decisions. The Board appears to hide staff compensation increases while approving increases in license fees for the professionals regulated by the Board. The Governor's Finance Office plans to fully implement the recommendation by March 2021.

Appendix A page 10
Scope and Methodology, Background, Acknowledgments

Appendix B page 12
Response and Implementation Plan

Appendix C page 17
Timetable for Implementing Audit Recommendations

INTRODUCTION

At the request of the Executive Branch Audit Committee, the Division of Internal Audits (DIA) audited the Board of Pharmacy. The audit focused on the appropriateness and process of establishing Board matching contributions to employee deferred compensation accounts. The audit's scope and methodology, background, and acknowledgements are included in Appendix A.

The audit objective was to develop recommendations to:

- ✓ Clarify Deferred Compensation Program statutory guidelines.


Department of Administration/Deferred Compensation Program and Governor's Finance Office Response and Implementation Plans

DIA provided draft copies of this report to the Department of Administration/Deferred Compensation Program, the Governor's Finance Office, and the Board of Pharmacy for review and comment. Their comments have been considered in the preparation of this report and are included in Appendix B. In their response, the Department of Administration/Deferred Compensation Program and the Governor's Finance Office accepted the recommendations. Appendix C includes a timetable to implement the recommendations.

NRS 353A.090 requires within six months after the final report is issued to the Executive Branch Audit Committee, the Administrator of the Division of Internal Audits shall evaluate the steps the Department of Administration/Deferred Compensation Program and the Governor's Finance Office have taken to implement the recommendations and shall determine whether the steps are achieving the desired results. The administrator shall report the six-month follow-up results to the committee and agency officials.

The following report (DIA Report No. 21-05) contains DIA's *findings, conclusions, and recommendations*.

Respectfully,



Administrator

Clarify Deferred Compensation Program Statutory Guidelines

The Department of Administration/Deferred Compensation Program can help clarify deferred compensation statutory guidelines for state agencies by proposing legislation on state agency (employer) matching contributions, if any, to employee deferred compensation accounts. Legislation clarifying state agency (employer) matching contributions, if any, will ensure all state employees are treated equitably and the intent for state employee compensation limits is adhered to by agency management.

The Governor's Finance Office can help clarify deferred compensation statutory guidelines for state agencies by ensuring open meeting laws are followed when determining agency match rates, if any, and that decisions are transparent and made in a public forum. Advising the Office of the Attorney General for determinations of open meeting law violations will enhance public confidence that state agency decisions about employee compensation are equitable and the intent for state employee compensation limits is adhered to by agency management.

Propose Legislation Clarifying State Agency (Employer) Matching Contributions to Employee Deferred Compensation Accounts

The Department of Administration/Deferred Compensation Program should propose legislation clarifying state agency (employer) matching contributions, if any, to employee deferred compensation accounts. The Nevada Deferred Compensation (NDC) Program provides for employee contributions; the statute is unclear on state agency (employer) matches. The statute does not specifically address contribution matches although the NDC Plan concludes state agencies (employers) may, in fact, provide matching contributions to an employee's deferred compensation account. State agencies do not, in general, provide employer matches to employee deferred compensation accounts. However, four independent licensing boards make employer contributions to employees' NDC accounts but only one, the Board of Pharmacy, is based on a match to employee contributions and are provided in addition to participation in Public Employees' Retirement System (PERS). Contributions by the other boards are based on a percentage of employee salary and are provided in lieu of PERS contributions.

The Board of Pharmacy's employer matching contributions to the NDC Program are unique and generous. Moreover, the Board matches may violate the legislative intent of compensation for state employees being limited to 95% of the Governor's salary.

Legislation clarifying state agency (employer) matching contributions, if any, will ensure all state employees are treated equitably and provide guidance to ensure state employee compensation limits are honored by agency management.

Nevada Deferred Compensation Program Allows State Agency (Employer) Matching Contributions Despite Unclear Statutory Guidance

The NDC Program is a voluntary 457(b) retirement savings for employees of the State of Nevada and local government employers. The program is designed to supplement employee PERS pension and/or other retirement savings and pensions. Contributions are made through payroll deductions and can be pre-tax or post-tax/Roth Individual Retirement Account (IRA). The program is funded from a portion of the NDC investment fees that are paid by participants. NDC does not receive money from the State General Fund.

No Statutory Language Providing for State Agency (Employer) Matches

The NDC's governing statute, NRS 287, is silent regarding employer contributions. Moreover, the statute allows the state agency (employer) to "...agree with any of its employees...to defer the *compensation due to them...*"¹ and requires the employer to "...withhold the amount of compensation which an employee has, by such agreement, directed the employer to defer."² The statute further states, "The employer may invest the *withheld money* in any investment approved by the Committee³...."⁴ The statute does not address investing money not withheld (i.e., contributions from the employer).

Nevada Deferred Compensation Plan Concludes State Agency (Employer) Matches May Occur

The NDC Plan concludes that state agencies may provide employer contributions to employees' NDC accounts. There is no authority in statute that specifically provides for this decision. Despite the absence of statutory guidance regarding employer contributions, the NDC Plan notes that "nothing in this Plan prohibits the Employer (state agency) from making deposits to a Participant's Account as an additional compensation for services rendered, subject to the Participant's contribution limit."⁵

The NDC Plan does not recommend or specify appropriate employer contribution match percentages or limitations should a state agency wish to contribute amounts in addition to the amount specified by the employee to be withheld. The NDC Plan

¹ NRS 287.320 (1).

² NRS 287.320 (2).

³ Committee to Administer the Public Employees' Deferred Compensation Program.

⁴ NRS 287.320 (3).

⁵ Nevada Public Employees' Deferred Compensation Program Plan Document (Attachment A), Article III – Contributions and Limitations, 3.1e.

only addresses the IRS limitations set forth in Section 457(b) of Title 26, Internal Revenue Code, which apply generally to the amount that may be contributed to an individual's account through individual deferrals, employer contributions, or both.

Board of Pharmacy Matching Contributions Are Unique and Generous

The Board of Pharmacy's matching contributions are unique in that the benefit is provided as an addition to staff participation in PERS. No state Executive Branch agencies provide employer contributions to employee NDC accounts; however, four independent licensing boards make employer contributions to employee NDC accounts. See Exhibit I for details.

Exhibit I

Comparison of Boards' Contributions to Employee NDC Accounts

| Board | Contribution Rate | NDC Contribution Amount | Participates in PERS |
|-------------------------------|-------------------|----------------------------|----------------------|
| Pharmacy | 50% | Up to \$6,500 Match | ✓ |
| Occupational Therapy | NA | 9.05% of Salary (\$8,800) | ✗ |
| Speech-Language Pathology | NA | 9.05% of Salary (\$8,800) | ✗ |
| Funeral and Cemetery Services | NA | 14.5% of Salary (\$14,081) | ✗ |

Source: Nevada Deferred Compensation Program and Board Information

Three of the boards contribute a percentage of salary regardless of the employees' contributions; however, none of these boards participate in PERS. These three boards' contribution rates are equal to or less than a state agency's required contribution rate to PERS. Essentially, they have chosen the NDC as the sole method of funding their employees' retirement. ***The Board of Pharmacy is the only board or state agency that provides contributions to employees' NDC accounts and also participates in PERS.***

Board Compensation Generous Compared to Public and Private Sectors

The Board of Pharmacy's total compensation to employees is generous compared to both public and private sector models. The 50% deferred compensation match rate may not be excessive by private sector standards; however, offering both a defined-benefit retirement plan (PERS) *in addition to* a deferred-compensation plan (NDC) *with employer contribution matches* is uncommon in the private sector and rare in the public sector.⁶

The private sector equivalent of the NDC plan would be a company-sponsored 401(k) plan, commonly used as a vehicle for employees to defer pre-tax salary income. Some companies offer both a defined-benefit retirement plan and a 401(k); some offer only a 401(k); and some offer neither.

⁶ Bureau of Labor Statistics – 2018 National Compensation Survey

Among those offering a 401(k) plan, the employer contribution match provisions vary widely. Commonly, employers will match a certain amount for each dollar of employee contribution up to a certain percentage of salary. For example, an employer may offer to match \$.50 for every \$1 contributed by the employee, up to 5% of the employee's salary. This 50% match would allow the employee to essentially save 7.5% of his/her salary before exhausting the employer contribution match benefit. In this case, the employee would be free to continue contributing without an employer contribution match up to the IRS maximum, but the employer's contribution would not continue beyond the 5% salary limit. Some employers match dollar-for-dollar, or 100% match, up to a certain salary level. This 100% match would work the same way. Some companies simply contribute an absolute dollar amount or percentage of salary to each employee's 401(k) account regardless of whether the employee also contributes, like the three boards that do not participate in PERS.

Board's Matching Contributions Favor Higher Paid, Senior Staff

The Board's higher paid employees are favored in the match formula because they are in a better position to max out the employer contribution match, currently set at \$6,500. An employee who contributes \$13,000 of his/her own pre-tax earnings in a calendar year would receive the \$6,500 maximum employer contribution. Together, the contributions provide a mechanism for an employee to provide the current maximum allowable contribution set by the IRS (\$13,000 employee contribution + \$6,500 employer contribution = \$19,500).⁷ It appears the employer contribution match construct was created by the Board of Pharmacy with this goal in mind.

The percentage of the employee's salary that must be contributed to receive the maximum employer contribution decreases as the salary increases. Because the cap is expressed as an absolute amount rather than a percentage, converting it to a percentage of salary to judge whether it is equitable shows employees may receive a higher benefit relative to salary as the salaries decline; however, the amount the employee must contribute as a percent of salary increases. See Exhibit II for a conversion of the \$6,500 cap to percentage at various salary levels.

⁷ IRS Publication 4484. This does not include "catch-up" provisions. The \$6,500 maximum contribution does not increase if the employee is eligible for "catch-up" provisions.

Exhibit II

\$6,500 Employer Contribution Match Limit as a Percentage of Salary

(95% of Governor's Salary is \$136,228)⁸

| Salary ⁹ | Contribution | % of Salary | Total |
|---------------------|--------------|-------------|-----------|
| \$135,200 | \$6,500 | 4.9 | \$141,700 |
| \$100,000 | \$6,500 | 6.5 | \$106,500 |
| \$ 75,000 | \$6,500 | 8.7 | \$81,500 |
| \$ 50,000 | \$6,500 | 13.0 | \$56,500 |

Source: DHRM compensation schedules and Board of Pharmacy information.

Setting Match Rates is a Policy Decision

The four independent licensing boards that contribute to employees' NDC accounts are making policy decisions about how to compensate employees (see Exhibit I). Three of the boards have opted for a certain percent of the employee's salary to provide a retirement savings mechanism. The Board of Pharmacy has opted to limit the employer's contribution based on an absolute dollar amount to ensure all employees may potentially receive the same dollar benefit to its supplemental retirement savings mechanism.

Employees at the higher end of the pay scale receive a greater benefit from the perspective they contribute a lower portion of their salary to attain the maximum match from the employer. Should the contribution limit be set as a percentage of salary rather than an absolute dollar value, higher-paid employees would receive a greater dollar benefit from the employer match. Concerns that the employer contribution is inequitable would be true whether the maximum employer contribution was set as an absolute dollar limit or a percentage of income.

Board's Matching Contributions May Violate the Intent of the "95% Rule"

The Board's employer deferred compensation match may not violate "salary" guidelines of statute, but may, in fact, violate the legislative intent of the guidelines to restrict state employee compensation to 95% of the Governor's salary. Section 1 of NRS 281.123 limits the salary of a person employed by the state to 95% of the Governor's salary during the same period, with certain exceptions.¹⁰

⁸ 95% of Governor's salary based on Pay Policy 31, Employer Paid Retirement Compensation Schedule is \$136,228 (\$143,398 x .95).

⁹ \$133,200 is the salary of the four highest paid Board employees as of September 2019 during the first follow-up to DIA Report No. 18-05.

¹⁰ Section 1 does not apply to dentists and physicians employed full-time by the state, officers and employees of the Nevada System of Higher Education, and salaries authorized by statute where the statute refers specifically to a position.

Limiting Salary and Not Compensation Allows for Loopholes to be Exploited

The current restriction on state employee salaries that is not tied to state agency (employer) deferred compensation matches provides, in effect, a loophole that can be exploited to exceed the "95% rule." The definition of salary is the limiting factor in determining compliance with NRS 281.123. The DIA Deputy Attorney General's initial legal analysis concludes that 457(b) employer contribution matches would not be considered salary based on case law analysis because salary is only one component of compensation and NRS 281.123 excludes non-salary components in its limitation.

Board of Pharmacy Historically Violated the "95% Rule"

The Board had historically violated the "95% rule" for salaries of senior staff prior to DIA's review of independent regulatory board operations. The Board was one of several boards cited in DIA Audit Report No. 18-05 as having salaries that exceeded the "95% rule." At the time of the six-month follow-up of DIA Report No.18-05, the Board had reduced the affected employees' salaries to become compliant. After reduction, each of the Board's four highest paid employees' salaries was \$135,200.¹¹ As a comparison, this salary, in general, is above a department director, chief deputy of a constitutional officer, and a cabinet-level department director.

Conclusion

The Nevada Deferred Compensation Program (NDC) allows employer contributions despite unclear authority to do so in its governing statute, NRS 287. No executive branch state agencies provide employer contributions; however, four independent licensing boards do; three of the boards provide contributions in lieu of PERS participation. One of the boards, the Board of Pharmacy, provides a matching contribution, limited to \$6,500 annually, and does so as a supplement to PERS participation. The employer matching contribution has not been determined to be a component of "salary" for purposes of the "95% rule." If the match is considered salary for this purpose, several employees at the Board of Pharmacy would be in violation of the "95% rule."

Recommendation

1. Propose legislation clarifying state agency matching contributions to employee deferred compensation accounts.

¹¹ The four highest paid employees all participated in the Employer Paid Retirement Compensation Schedule.

Refer Facts to the Office of the Attorney General to Determine Open Meeting Law Violations by the Board of Pharmacy on Deferred Compensation Match Decisions

The Governor's Finance Office should refer facts to the Office of the Attorney General (OAG) to determine if open meeting law violations by the Board of Pharmacy on deferred compensation match decisions occurred since June 2019. The Board's approval on matching contribution increases may not have been transparent.

Ensuring open meeting laws are followed when determining agency deferred compensation match rates, if any, and that decisions are transparent and made in a public forum is central to government accountability. An OAG's determination of open meeting law violations will enhance public confidence in the Board of Pharmacy's decisions that employee compensation is equitable and the intent for state employee compensation limits are adhered to by agency management.

Board's Approval on Matching Contribution Increases May Not Have Been Transparent

The Board first initiated an employer-match about 2001 at the rate of \$.10 for every \$1 (10%) contributed by the employee. The employer contribution match rate was increased from 10% to 30% after the June 5, 2019 Board meeting as part of the fiscal year 2020 budget discussion, effective July 1, 2019. Another employer contribution match rate increase from 30% to 50% became effective January 1, 2020.

Board officials stated both increases were authorized at the June 5, 2019 meeting. We note the following with respect to the June 5, 2019 Board meeting:

- The meeting agenda did not itemize employer contribution match rate increases;
- The meeting minutes reference only the Board's approval to "modify deferred compensation benefits;"
- The audio recording of the meeting does not mention "increases" to the employer-contribution match rate; and
- The budget document provided to the Board for discussion of Agenda Item 14 (Nevada State Board of Pharmacy Approval FY 20 Budget) did not provide any details of employer contributions to employee NDC accounts nor did it reference an increase in the contribution rate.

The decision to increase the contribution rate from 30% to 50% was apparently made toward the end of fiscal year 2020 and included a retroactive provision to January 1, 2020, not as part of the June 5, 2019 meeting as represented by Board officials.

Board Appears to Hide Employer Match Increases While Approving Increases in License Fees

The timing of the first increase from 10% match to 30% match coincided with a request from staff, at the same Board meeting on June 5, 2019, seeking Board approval to increase license fees to close a structural deficit in the budget. According to the audio discussion from the Board meeting, the fee increase was necessary to avert a fiscal threat if two revenue sources from grants proved unreliable, especially in light of existing structural deficits. Like the match increase from 10% to 30%, the license fee increase was discussed under Agenda Item 14 and not called out as a separate agenda item at the Board meeting. While the audio recording discussed in some detail that authority to increase fees may be necessary to rectify the structural deficit, no such detail was discussed about increases to the employer match rate, despite inquiries from the Board.

Conclusion

Determining adherence to open meeting law will provide assurance to the public that Board decisions related to employee compensation were properly scrutinized before implementation. Regarding increases to employer contribution matches to Board employees' NDC accounts, the Board meeting agendas, minutes, and audio discussion suggest the Board may not have been fully informed prior to making relevant decisions. Moreover, the increases occurred under the context of coincident license fee increases, budget deficits, and budget austerity considerations.

Recommendation

2. Refer facts to the Office of the Attorney General to determine open meeting law violations by the Board of Pharmacy on deferred compensation match decisions.

Appendix A

Scope and Methodology, Background, Acknowledgements

Scope and Methodology

We began the audit in September 2020. In the course of our work, we communicated with management at the Nevada Deferred Compensation Program, the Board of Pharmacy and other state independent licensing boards. We researched board records, policies and procedures, professional publications, applicable Nevada Revised Statutes (NRS), Nevada Administrative Code (NAC), and other state and federal guidelines. We concluded fieldwork in November 2020.

We conducted our audit in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Background

The Nevada Deferred Compensation Program (NDC) is a voluntary 457(b) retirement savings program for employees of the State of Nevada and local government employers. The program is designed to supplement employee Public Employees' Retirement System pension and/or other retirement savings and pensions. Contributions are made through payroll deductions and can be pre-tax or post-tax/Roth Individual Retirement Account (IRA). NDC is funded from a portion of the plan's investment fees which are paid by participants. NDC does not receive money from the State General Fund.

The Nevada Board of Pharmacy is governed by NRS 639, which sets forth the general provisions of the Board. The Board concentrates on four areas of the practice of pharmacy to protect the public: proper credentialing and inspection of licenses; adoption of regulations as necessary to further legislative intent; providing timely access to accurate information in Nevada's Prescription Monitoring Database; and investigation of complaints filed by the public on activities within the Board. The Board currently has 40,000 licenses in 17 different license types including wholesalers, pharmacists, and manufacturers.

Acknowledgments

We express appreciation to the Department of Administration/Nevada Deferred Compensation Program, Governor's Finance Office, and Board of Pharmacy management and staff for their cooperation and assistance throughout the audit.

Contributors to this report included:

Warren Lowman
Administrator

Jeff Landerfelt, MBA
Executive Branch Audit Manager

Appendix B

Department of Administration/Deferred Compensation Program and Governor's Finance Office Response and Implementation Plans



Nevada
Deferred Compensation

STATE OF NEVADA DEPARTMENT OF ADMINISTRATION

PUBLIC EMPLOYEES' DEFERRED COMPENSATION PROGRAM
100 N. Stewart Street, Suite 100, Carson City, Nevada 89701
Telephone 775-684-3398 | Fax 775-684-3399 | defcomp.nv.gov

Steve Sisolak
Governor

Laura E. Freed
Director

Colleen Murphy
Deputy Director

Rob Boehmer
Executive Officer

December 31, 2020

Warren Lowman
Administrator
State of Nevada Governor's Finance Office
Division of Internal Audits
209 E. Musser Street, Suite 302
Carson City, Nevada, 89701

Greetings Mr. Lowman,

We have confidentially reviewed the DRAFT Internal Audit Report (DIA No. 21-05) regarding the Board of Pharmacy's past and current contributions into the State of Nevada (State) Public Employees' Deferred Compensation Program (NDC). Specifically, we have reviewed Recommendation #1 (page 7 of the draft audit) which is to clarify state agency (employer) matching contributions, if any, to employee deferred compensation accounts.

The NDC Committee, appointed by the Governor pursuant to NRS 287.325, with the assistance of the Executive Officer/Administrator and staff of the NDC Program, are responsible for the Administration, Plan Design, Investment Management, and overall governance of the NDC Program in accordance with 26 U.S.C. § 401(a), 401(k), 403(b), 457(b) or Section 3121 and NRS 287. This includes, without limitation, a FICA alternative plan, any other federal law authorizing a plan to reduce taxable compensation, other forms of qualified compensation, as applicable, and/or that shall be held in trust for the exclusive benefit of the participants in the Program and their beneficiaries. The NDC Committee, at one of its scheduled public meetings, will be required per NRS 287.330 to review, consult with counsel, and take formal action on any statutory change, plan design change, or amendment of the NDC Plan Document(s). Additionally, should the Committee agree with the audit's recommendation, the NDC Program is unable to implement a statutory change by the suggested draft deadline of July 2021 (Executive Summary, page i). As you know, the deadline for agencies to submit policy Bill Draft Requests (BDR) for consideration in the 81st Nevada Legislative Session was more than six months ago. After consulting with the Budget Division of the Governor's Finance Office, getting a BDR prepared, considered, and passed is not possible in this short of a timeframe. Given these facts, this will delay the Department of Administration and NDC Program from being able to submit a BDR until the 82nd Legislative Session beginning in 2023.

Furthermore, it is important to acknowledge that the NDC Committee has already been considering the future of allowing Employer Contributions for over the past year as a result of the US Governmental Accounting Standards Board (GASB) issuing Rule 97 which will require Plan Sponsors of Government 457(b) Defined Contribution Plans to increase and refine their financial reporting of employer contributions. This could potentially add significant expense to the Plan to accommodate this future mandate. The NDC Committee has been considering viable solutions to this new mandate over the past year and will be considering multiple options at its January 11th, 2021 Strategic Planning Meeting that may include redefining and amending how future employer contributions will be recorded, monitored, and reported. Other options that could be

considered would be for the NDC Program to develop and administer a separate 401(a) Plan to accommodate any employer contributions from the State of Nevada, Nevada System of Higher Education, or any of the current or future participating political subdivisions in the Plan, or the potential of amending the Plan's governing documents to no longer allow employer contributions altogether. We predict that all these options will be considered and vetted through our established governance process within the first half of 2021.

In closing, the Nevada Public Employees' Deferred Compensation Program will formally consider the recommendation made by the Internal Audits Division as soon as the audit is made public and will bring it forward to the NDC Committee for review, discussion, and possible action. As aforementioned, the NDC Committee will continue to move forward to review the future of employer contributions being made based on the new requirements established in GASB Rule 97. We thank you for including the Department of Administration and NDC Administration in this process. Please feel free to contact either myself and/or Department of Administration Director, Laura Freed, with any further questions or concerns.

Sincerely,



Rob Boehmer, CRPA, CSA, CEPP

Executive Officer
State of Nevada Public Employees'
Deferred Compensation Program
Nevada State Library & Archives Building
100 North Stewart Street, Suite 100
Carson City, Nevada, 89701
T(775) 684-3397
FAX(775) 684-3399
email- rboehmer@defcomp.nv.gov

CC: Laura Freed, Director- State of Nevada Department of Administration

Steve Sisolak
Governor



Susan Brown
Director

Warren Lowman
Administrator

**STATE OF NEVADA
GOVERNOR'S FINANCE OFFICE**

209 E. Musser Street, Suite 302 | Carson City, NV 89701-4298
Phone: (775) 684-0222 | <http://budget.nv.gov/> | Fax: (775) 687-0145

MEMORANDUM

To: Warren Lowman, Administrator
Governor's Finance Office, Division of Internal Audits

From:

Date: January 6, 2021

Subject: DIA 21-05, Deferred Compensation Match

Pursuant to NRS 353A.085(1), the Governor's Finance Office (GFO) provides the following statement:

Recommendation 2

Refer facts to the Office of the Attorney General to determine open meeting law violations by the Board of Pharmacy on deferred compensation match decisions.

GFO accepts this recommendation.

GFO has directed the Division of Internal Audits (DIA) to refer facts to the Office of the Attorney General as recommended.

GFO plans to fully implement this recommendation by March 1, 2021.



Nevada State Board of Pharmacy

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(775) 850-1440 • FAX (775) 850-1444

E-mail: bkandi@pharmacy.nv.gov • Web Page: bop.nv.gov

January 5, 2021

Warren Lowman
Administrator
Division of Internal Audits
Governor's Finance Office
209 East Musser Street, Room 302
Carson City, NV 89701

Re: *Audit No. 21-05 - Board of Pharmacy Deferred Compensation Match*

Dear Mr. Lowman:

This correspondence constitutes the Nevada State Board of Pharmacy (BOP) response to the audit of the BOP deferred compensation employer match, Audit Report No. 21-05 (Audit).

The Audit reveals that the BOP incentivizes employees to participate in deferred compensation to better ensure financial security in retirement. The Audit, citing the Nevada Deferred Compensation Plan, acknowledges that the BOP employer match is not prohibited by law, nor violative of NRS 281.123. The Audit fails to note that the BOP employer match was detailed in testimony to the Legislature's Sunset Subcommittee on June 30, 2020, and that the Subcommittee expressed no objections or concerns.

The BOP respectfully disagrees with two of the Audit's conclusions. First, the Audit erroneously concludes that the BOP employer match of up to \$6500 favors higher paid staff when compared to a match based upon a percentage of salary. To the contrary, as demonstrated in Exhibit II of the Audit, the BOP employer match benefits lower paid staff since it is inversely proportional to an employee's salary: the match constitutes a *greater* percentage of an employee's salary as that salary *decreases*. In fact, a match based upon a percentage of salary as recommended by the Audit would favor higher paid staff. To illustrate this point, consider a match of 5% of base salary. An employee paid \$130,000 annually could receive a maximum match of \$6500, while an employee paid \$65,000 annually could only receive a maximum match of \$3250.

Second, the Audit inaccurately asserts that increases to the employer match are related to recent Legislatively-approved fee increases for certain license categories. During the 2017-18 Interim, the Sunset Subcommittee directed the BOP to analyze its fee structure and revise fees to the extent necessary to support its operations. Consistent with this directive, the BOP subsequently identified and amended its fee schedule to eliminate a structural deficit in the operating budget for the Nevada Prescription Monitoring Program (PMP).

The BOP made a separate decision to authorize an increase in payroll and benefits comparable to the pay increase for all State employees approved by the Legislature for FY20. This included authorization for the Executive Secretary to increase the deferred compensation

Warren Lowman
January 5, 2021
Page 2

employer match during the fiscal year. This discussion is clearly reflected in the audio recording of the June 5, 2019, meeting when the FY20 Budget was approved.

Finally, Recommendation No. 2 would refer the BOP deferred compensation employer match decisions to the Office of the Attorney General (OAG) to determine if open meeting law (OML) violations occurred. However, the OAG is legal counsel to the BOP (*see* NRS 228.110) and the BOP has already requested guidance from the OAG on this issue. Based upon past OAG opinions and guidance on the OML, the BOP is confident that no OML violations occurred.

If you have any questions, please do not hesitate to contact me at 775-850-1440 or bkandt@pharmacy.nv.gov.

Best regards,



Brett Kandt
General Counsel
Nevada State Board of Pharmacy

Appendix C

Timetable for Implementing Audit Recommendations

In consultation with the Governor's Finance Office (GFO) and the Department of Administration/Deferred Compensation Program (NDC), the Division of Internal Audits categorized the recommendations contained within this report into two separate implementation time frames (i.e., *Category 1* – less than six months; *Category 2* – more than six months). The GFO and NDC should begin taking steps to implement all recommendations as soon as possible. The target completion dates are incorporated from Appendix B.

Category 1: Recommendations with an anticipated implementation period less than six months.

| <u>Recommendation</u> | <u>Time Frame</u> |
|--|-------------------|
| 1. Propose legislation clarifying state agency matching contributions to employee deferred compensation accounts. (Department of Administration/Deferred Compensation Board) (page 8) | Jul 2023 |
| 2. Refer facts to the Office of the Attorney General to determine open meeting law violations by the Board of Pharmacy on deferred compensation match decisions. (Governor's Finance Office) (page 10) | Mar 2021 |

The Division of Internal Audits shall evaluate the action taken by the Department of Administration/Deferred Compensation Program and the Governor's Finance Office concerning the report recommendations within six months from the issuance of this report. The Division of Internal Audits must report the results of its evaluation to the Executive Branch Audit Committee, the Department of Administration/Deferred Compensation Program, and the Governor's Finance Office.



STATE OF NEVADA
GOVERNOR'S FINANCE OFFICE
Division of Internal Audits

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MEMORANDUM

TO: Nevada Deferred Compensation Program (NDC)
Mr. Rob Boehmer, Executive Director

FROM: Warren Lowman, Administrator
Division of Internal Audits (DIA)

DATE: February 1, 2021

SUBJECT: Audit Report DIA 21-05, Deferred Compensation

On January 28, 2021, DIA presented the Department of Administration & Governor's Finance Office – Board of Pharmacy, Deferred Compensation audit to the Executive Branch Audit Committee (EBAC). Six months after issuing the audit, DIA reports back to the EBAC describing actions taken by NDC management to implement audit recommendations (NRS353A.090)..

To determine the status of our recommendations, please provide DIA a written, signed response on or before March 15, 2021 that includes:

- ✓ Agency assessment of the current status of each recommendation (i.e., fully implemented, partially implemented, no action);
- ✓ Documentation and description of actions taken to support the assessment; and
- ✓ An estimated completion date for any recommendations not fully implemented.

NDC's response will be included in DIA's report to the EBAC by June 29, 2021.

Attached is a checklist that identifies NDC's responsibilities for the response and definitions for assessing the implementation status of recommendations.

If questions or need assistance, please contact Warren Lowman at 687-0125.

cc: Laura Freed, Director, Department of Administration
Susan Brown, Director, Governor's Finance Office

Attachment

Audits Conducted by the Division of Internal Audits (DIA) Checklist – Executive Branch Agency 6-Month Follow-up Responsibilities

DIA issues a letter notifying agencies of follow-up responsibilities. This checklist is intended as a general guide. If questions, please contact the Audit Manager identified in Appendix A of the report or DIA at (775) 684-0222.

Step 1 Prepare 6-Month Follow-up Response

Due date of Follow-up Response: **May 15, 2021**

(The Report is due five (4.5) months from the date the audit report is presented to the Executive Branch Audit Committee.)

Assess recommendations as: fully implemented, partially implemented or no action.

Provide documentation and description of actions taken to support each recommendation's assessment of implementation status.

If the recommendation is not fully implemented, provide an estimated completion date and description of anticipated actions to be taken by the agency.

Step 2 Submit 6-Month Follow-up Response to DIA

(The Division of Internal Audits will evaluate the agency's actions to implement the recommendations and present a report to the Executive Branch Audit Committee.)

Date written, signed response submitted _____

Definitions to Assist the Agency Assess Implementation Status of Audit Recommendations:

- **Fully Implemented** – the agency took all actions necessary to satisfy the recommendation as of the date of the status report.
- **Partially Implemented** – the agency took some actions to satisfy the recommendation but not all necessary actions to correct the audit finding as of the date of the status report.
- **No Action** – the agency did not take any action on the recommendation as of the date of the status report.

VENDOR RATING WORKSHEET

Agency Name: Nevada Deferred Compensation

Vendor: Hyas Group

Contract Monitor/Rater: Rob Boehmer

Date of Rating: 03/02/2021

Document Number: _____

Signature/Notes: _____

This evaluation represents the six month contract evaluation required on all newly issued contracts with new vendors of the State. The Hyas Goup maintains a STANDARD Rating for this contract period and will be evaluated annually for the remaining term of the contract.

Default is standard. If category being rated is not applicable the vendor score defaults to standard.

| Rating Categories | Below Standard | Standard | Above Standard |
|-------------------|----------------|-----------|----------------|
| Customer Services | | X- (2.00) | |
| Timeliness | | X- (2.00) | |
| Quality | | X- (2.00) | |
| Technology | | X- (2.00) | |
| Flexibility | | X- (2.10) | |
| Pricing | | X- (2.25) | |

OVERALL RATING: 2.06- STANDARD

Any rating other than standard requires explanation and documentation.

COMMENTS:

Hyas Group continues maintains a standard rating of the current contract in accordance with the parameters itemized in the contract/scope of work. Hyas Group is encouraged to provide and maintain a standard degree of responsiveness in addressing any problems or issues, pointed out by NDC Committee members, Ececutive Officer, and/or Administrative Staff. Hyas Group has met the timeliness standards agreed to in the performance and service guarantees outlined in the contract thus far, and should continue to work with the Executive Officer to maintain this level of service. Hyas Group has met all timelines parameters with regard to submitting reports to the NDC Administration Staff. Hyas Group has maintained the current pricing structure outlined in the contract/scope of work at this point in the contract. Hyas Group continues to meet all of the requests made by the NDC committee and Administrative staff thus far. The State of Nevada and NDC Program Administration would like to thank Hyas Group, Mr. Cousinou and his team for their service rendered to the State of Nevada thus far and encourage them to maintain a standard contract level in future evaluation periods by regularly evaluating their service guarantees with the NDC Executive Officer.

Category Definitions

CUSTOMER SERVICE: degree of responsiveness provided by the contractor/supplier to an agencies request for assistance

TIMELINESS: degree to which the contractor supplied product or service within the time frames identified/specified in the contract/scope of work

QUALITY: degree to which a product or service meets or exceeds standards set forth in the contract/scope of work

TECHNOLOGY: the level to which the contractor/supplier utilizes current technologies to deliver and support products and services as specified in the contract/scope of work

FLEXIBILITY: adaptability of contractor/supplier to adjust to the State's changing needs

PRICING: the level to which the contractor/supplier adheres to the pricing structure outlined or specified in the contract/scope of work

Rating Definitions

1=Below Standard: Vendor performance regarding the terms and conditions of the contract/scope of work has been less than standard/satisfactory. Support documentation is required (**overall score of less than 1.75**).

2=Standard: Vendor has met all specifications/requirements of the contract/scope of work (**overall score of 1.75-2.25**).

3=Above Standard: Vendor performance regarding the terms and conditions of the contract/scope of work has been more than standard/satisfactory. Support documentation is required (**overall score above 2.25**).

VENDOR RATING WORKSHEET

Agency Name: Nevada Deferred Compensation

Vendor: Voya Financial

Contract Monitor/Rater: Rob Boehmer

Date of Rating: 03/02/2021

Document Number: _____

Signature/Notes: _____

Default is standard. If category being rated is not applicable the vendor score defaults to standard.

| Rating Categories | Below Standard | Standard | Above Standard |
|-------------------|----------------|-----------|----------------|
| Customer Services | | X- (1.80) | |
| Timeliness | | X- (2.00) | |
| Quality | | X- (1.95) | |
| Technology | | X- (2.20) | |
| Flexibility | | X- (2.10) | |
| Pricing | | X- (2.25) | |

OVERALL RATING: 2.05- STANDARD

Any rating other than standard requires explanation and documentation.

COMMENTS:

Voya Financial has maintained a standard rating of the current contract in accordance to the parameters itemized in the contract/scope of work although their rating for this evaluation period reflects a slight decrease in the Standard range of evaluation. It should be noted that the transition to Voya's new recordkeeping platform per the contract was executed and the transition is complete. NDC and Voya Staff fielded a number of concerns and issues from program participants throughout this process and contract period, which is expected in a transition of this magnitude. We feel that the issues we have encountered and continue to encounter are within the parameters that would be expected given the size and demographics of the NDC Plan(s). Voya Financial has provided a timely degree of responsiveness in addressing any problems or issues that Voya is directly responsible for, and has always attempted to develop and implement successful action plans on all issues or problems that have presented challenges to resolve or correct. Additionally, Voya consistently maintains an ongoing Action Plan with the NDC Executive Officer to monitor, resolve, or develop processes to correct and/or prevent these situations, and lessen the likelihood of various issues happening again in the future. Voya Financial has met the timeliness standards agreed to in the performance and service guarantees outlined in the contract to date. A few concerns that the State has had in the evaluation period is that Voya has sub-contracted with State Street as a clearing house/check distribution services which removes any control that Voya has with making corrections that may be needed between calendar tax years. One situation in particular involved a retired participant initiating a distribution on December 27th 2020, requested that funds be liquidated and distributed from a particular fund and not pro-rata across all of his asset classes equally as is the establish default method used unless a participant requests otherwise. The newly established Voya Customer Service Call Center team for Nevada originally denied the participant request in error, chose to take the request under advisement with their internal leadership team when the participant complained, and eventually approved the request on December 29th when it was established that this type of request is and always has been allowed for under our contract. Voya assured the participant that the distribution would be made as a 2020 tax year distribution, but because their contracted clearing house, State Street, didn't cut and send the check until January 2nd 2021, they classified it as a 2021 distribution and would not agree to make a correction regardless of the issue being Voya's fault. Our Client relationship Manager, Bishop Bastien, personally worked with the participant to attempt to resolve the issue and although was unsuccessful at reversing the transaction to reflect a 2020 distribution, he did provide a suitable solution to reverse the transaction as if it had never happened and make the participant whole. The participant was still upset but satisfied with the resolution as proposed but desired for the Executive Officer to note this situation in Voya's annual evaluation and make the NDC Committee aware of what had transpired so that it was noted appropriately. The Executive Officer has discussed implementation of a potential internal control/policy that would help prevent or lessen the opportunity for this to happen again in the future to other participants. We will be creating a policy establishing and communicating that any distribution requested after the 20th of December annually may not be able to be processed in time to reflect a current tax year distribution. With implementation of these internal controls/policies, Voya continues to maintain the Customer Services Category at a standard rating for this evaluation period albeit a slight decrease to the lower range of the standard rating. It should be made aware to Voya and their team, that Voya will continue to decrease in this rating should the Plan continue to experience participant customer service issues with the Voya Call Center in future evaluation periods and further action will be taken to improve this rating at a standard level. The NDC Executive Officer is confident that Voya will be able to resolve these and other issues to increase Voya's rating in this category, and will continue to work with the Voya Team to support them in being successful. Voya continues to be a valued

partner with the Nevada Deferred Compensation Program, and supports the NDC Committee and Administrative Staff in all activities, decisions, and direction. It should be noted that all of Voya's contract guarantees and evaluation category criteria are being met for the most part at a standard level. We would encourage the Voya team to regularly review the contract guarantees with their staff members and especially their dedicated Call Center Staff to ensure that the customer service component that NDC Participants are used to receiving is maintained or increased in the future evaluation periods.

Category Definitions

CUSTOMER SERVICE: degree of responsiveness provided by the contractor/supplier to an agencies request for assistance

TIMELINESS: degree to which the contractor supplied product or service within the time frames identified/specified in the contract/scope of work

QUALITY: degree to which a product or service meets or exceeds standards set forth in the contract/scope of work

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Rating Definitions

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3=Above Standard: Vendor performance regarding the terms and conditions of the contract/scope of work has been more than standard/satisfactory. Support documentation is required (**overall score above 2.25**).