



STATE OF NEVADA DEPARTMENT OF ADMINISTRATION

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Governor

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Deputy Director

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PUBLIC EMPLOYEES' DEFERRED COMPENSATION PROGRAM

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**DEFERRED COMPENSATION COMMITTEE
QUARTERLY MEETING MINUTES**

March 2, 2021

The quarterly meeting of the Deferred Compensation Committee was held on Tuesday, March 2, 2021, at 9:00 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
Debbie Bowman, Chair

OTHERS PRESENT

| | |
|------------------------------------|--|
| Bishop Bastien, Voya | Matt Morganroth, Hyas Group |
| Rob Boehmer, NDC Executive Officer | Haley Munns, Casey Neilon |
| Rasch Cousineau, Hyas Group | Suzanne Olsen, Casey Neilon |
| Scott Darcy, Voya | Henna Rasul, Sr. Deputy Attorney General |
| Merrill Desrosiers, Voya | Lindsay Saienni, FIN News |
| Madison Mahon, City of Carlin | Micah Salerno, NDC Admin. Assistant |

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

Chairwoman Bowman called the quarterly meeting to order for the Nevada Deferred Compensation (NDC) Committee at 9:01 a.m. on Tuesday, March 2, 2021.

Mr. Boehmer took roll, determined a quorum was present, and confirmed the meeting was properly noticed and posted. He noted that Ms. Susie Chang would join later in the meeting.

2. **Public Comment**

No public comments.

3. **Approval of Nevada Public Employees' Deferred Compensation Program (NDC) Committee (Committee) meeting minutes for public meeting held on January 11, 2021.**

Motion by Mr. Ferguson to approve the minutes from January 11, 2021, second by Vice Chair Kruse. Motion passed unanimously, 4-0.

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

Mr. Boehmer reviewed his quarterly report speaking on the FY2021 budget status, quarterly plan activity and data, and the Administrative account.

- a. FY2021 Budget Status Report (BSR):
 - i. Current projections of revenue based on up-to-date participant levels and projection of expected reserve balance at the end of FY2021 were provided.
 - ii. Administrative Account data and General Ledger data were provided.
- b. Quarterly Plan Activity and Data Report:
 - i. Full Time Plans Admin Allowance Account balance as of January 8, 2021 was \$251,386.15.
 - ii. FICA Plan Admin Allowance Account balance as of January 8, 2021 was \$24,731.26.
- c. City of North Las Vegas and other Political Subdivisions Update and Report:
 - i. City of North Las Vegas recently completed an RFP for their Plan and did not anticipate joining NDC any time soon.
 - ii. 4 entities were on the agenda to join the Plan.
- d. The Executive Branch Audit Committee Report was provided. There was discussion regarding matching contribution guidelines, specifically limiting any abuse of Employer Contributions which may indirectly violate the intent of the "95% rule" for State employee compensation relative to the governor's salary. Mr. Boehmer and DAG Rasul would work together to come up with language regarding appropriate matching contributions from employers within contribution limits and would be proposed to the Committee at a future meeting.
- e. 2020 Contract Evaluations were provided. The evaluations included the six-month evaluation of Hyas Group and the annual evaluation of Voya. Both firms received scores of "Standard" which was the expected score in the evaluation process.
- f. 2021 Legislative Report did not include any State level legislation worth monitoring at that time.

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

5. For Possible Action- Receive and approve FY2020 Financial Audit Report and Financial Statements prepared and issued by Casey Neilon for NDC Voluntary Plan and FICA Alternative Plan.

The FY2020 (June 30, 2020) Financial Audit Report and Financial Statements that were prepared and issued by Casey Neilon were received and discussed. Casey Neilon generally determined that the 457 and FICA alternative Plan financial statements presented fairly, in all material respects, the fiduciary net position of the Plan as of June 30, 2020, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Casey Neilon also noted that they did not anticipate the Plans having to report per GASB 97. Staff would update the Committee regarding GASB 97 as necessary.

Motion by Vice Chair Kruse to approve the financial statements and reports. Second by Dr. Ervin, the motion passed unanimously, 4-0.

6. For Possible Action- Receive and approve Investment Consultant's review of third quarter 2020. Hyas Group provided the Investment Consultant Review which included:

- a. The Fourth Quarter 2020 Performance Report. Features of the report were:
- i. Market Commentary: Despite historic volatility, 2020 turned out to be an above average year for the major indices with the Dow Jones Industrial Average finishing up 9.7%, S&P 500 up 18%, and NASDAQ composite up 43.6%. Fourth quarter 2020 saw a shift in style and capitalization with Value outperforming Growth (style) and Small Caps easily outperforming Large Caps (capitalization). In addition, some international markets (particularly emerging) had also caught up to domestic markets representing another potential equity shift. Only time would tell if these recent 4Q trends stick further into 2021 or if they will return to the Growth/Large Cap/US preferences that have dominated the past decade. It is further proof that diversification is key to optimizing portfolio performance when it comes to the cyclical nature of investing.
 - ii. Plan Data Review: December 31, 2020 full-time Plan assets were \$1,015,512,668 which represented a market gain of \$120,285,495 for the year. The gain was in large part to Nevada participants staying the course through the volatility of 2020. During 2020, only 0.03% of assets moved into Fixed Income.
 - iii. Current Fund Lineup Overview and Performance Review: Two funds were on watch per the current (previous consultant's) Investment Policy Statement:
 1. T. Rowe Price Growth Stock (PRUFX) – The fund remained on watch for underperformance versus benchmark. The fund would be in compliance versus peers per the new Investment Policy Statement. As a result of failing one metric (benchmark), the fund would receive a yellow light on the Investment Compliance page in future reports.
 2. American Funds EuroPacific Growth (RERGX) – Due to energy and value exposure, the fund's performance improved significantly for the quarter. The fund was complying for the 5-year trailing period per benchmark (+0.49%) and peer group (#37). The Committee voted to remove the fund from watch.
 - iv. Plan Fee/Revenue Review: Weighted expenses were 0.327% which was lower than the NAGDCA average of 0.46%. These expenses would reduce further per the fund lineup changes in item 6b below.

Motion by Dr. Ervin to approve the quarterly performance report, including removing the American Funds EuroPacific Growth fund off the watch list. Second by Mr. Ferguson, motion carried unanimously, 4-0.

- b. Plan Investment Structure Analysis and Recommendations:
- i. Active Fixed Income Manager Search – The Committee voted to add Sterling Capital Total Return R6 (STRDX) to the lineup. Since this was a new fund option, no assets would map to the fund.

Motion by Vice Chair Kruse to accept the recommendation to add the Sterling Capital Total Return fund into the lineup. Second by Dr. Ervin.

Dr. Ervin wavered between the Sterling and Hartford funds, but ultimately liked that Sterling got out of government bonds and was more corporate based. It provided a different opportunity to participants and the fees were moderate.

Vote on motion, passed unanimously, 4-0.

- ii. The Committee voted to map Vanguard Institutional Index (VINIX) to Vanguard Institutional Index PLUS (VIIX). This would impact approximately \$117 million in Plan assets. The move would save participants approximately \$22,000 per year.

Motion by Dr. Erving to substitute the Vanguard Institutional Index to the lower price share class, Vanguard Institutional Index PLUS. Second by Mr. Ferguson, motion carried unanimously, 4-0.

- iii. SMID Manager Search (Active and Passive) – The Committee voted to map the \$61 million in Hartford MidCap HLS (HIMCX) and \$64 million in Vanguard Extended Market Index Inst (VIEIX) to the Vanguard Extended Market Index Inst Plus (VEMPX). The move would save participants approximately \$406,000 annually.

Committee member Ms. Susie Chang joined the meeting.

The Committee discussed this challenging category as past funds tended to move categories and they were looking for something to stay consistent. They discussed staying with an actively managed fund or changing to an index fund. As fiduciaries of the Program, they wanted to look out for the best interest of participants. It was hard to justify the actively managed fund since the fees were lower on the index fund and the performance was as good or better.

Hyas Group supported the Committee in either an active or passive fund. They recommended mapping to the Vanguard Extended Market if they chose the passive option.

Motion by Vice Chair Kruse to move from Hartford Mid-Cap HLS to the Vanguard Extended Market Index. Second by Dr. Ervin, motion passed unanimously, 5-0.

- iv. The Committee voted to map Vanguard Developed Markets Index (VTMNX) to the Vanguard Total International Stock Index (VTSNX). The move will provide participants with emerging markets exposure inside the index.
- v. Hyas Group provided updated Fund Mapping reflecting most of the above items. Hyas Group will provide a final mapping and savings prior to the next meeting.
- vi. The Committee received a Fidelity vs. Vanguard Index Fund Analysis. Based on the relatively limited savings (\$29,000 annually) and unproven track record of some Fidelity funds along with better performance for Vanguard, the Committee decided to stay with Vanguard.

Motion by Dr. Ervin to map assets of the Vanguard Developed Markets to Vanguard Total International fund. Second by Vice Chair Kruse, motion passed unanimously, 5-0.

c. Legal and Regulatory Updates:

- i. Hyas Group's 4Q20 Fiduciary Advisor Newsletter was provided. It included an overview of SECURE Act 2.0 which was expected to pass later in 2021. The legislation may include provisions such as eliminating the 457 Plan first of the month rule, expanding age 50 catch up limits, eliminating RMDs for participants with under \$100,000, and expanding the RMD age from 72 to 75. Hyas Group would keep the Committee updated on this legislation as needed.
- ii. Investment Policy Statement Review – Hyas Group would work with staff to finalize the "Hyas Group" Investment Policy Statement to incorporate the fund lineup changes as noted in item 6b. Hyas Group and staff would provide a final IPS for the Committee at the next meeting.

Motion by Dr. Ervin to approve the Investment Policy Statement with changes to the benchmark and fund lineup from item 6b approved today. Bring a final copy to the next meeting. Second by Mr. Ferguson, motion carried unanimously, 5-0.

7. For Possible Action – Receive and approve plan activity and service report from contracted recordkeeper Voya Financial for fourth quarter ending December 31, 2020.
 - a. Cashflow update: CARES Act distributions ended the year at \$3.9 million which was relatively low for a Nevada-sized plan. Other plans similar in size saw CARES Act distributions in the \$20+ million range.
 - b. Participant account activity: There were 16,513 total active accounts, 5,011 inactive accounts, 21,524 total accounts, and 157 new accounts in 4Q.
 - c. Communications update: The majority of participants were engaging via web (30%) or app (8%).
 - d. Financial wellness results were provided.
 - e. The 2021 education campaign calendar was provided.

Motion by Dr. Ervin to approve the Voya Quarterly Report. Second by Vice Chair Kruse, the motion passed unanimously, 5-0.

8. For Possible Action- Receive, discuss, and approve Interlocal Contracts for:
 - a. Truckee Meadows Fire Protection District, FICA
 - b. Grover C. Dils Medical Center
 - c. TRI General Improvement District
 - d. City of Carlin

Motion by Dr. Ervin to approve all 4 interlocal contracts. Second by Vice Chair Kruse, motion carried unanimously, 5-0.

9. For Possible Action- Election of Committee Chair per NRS 287.330.

The Committee designated Kent Ervin to serve as Committee Chair and Jeff Ferguson to serve as Vice Chair for 2021.

10. For Possible Action- Confirm Quarterly Meeting scheduled for June 9, 2021. Schedule Quarterly Committee meeting and/or any special meetings.

The meeting was confirmed for June 9, 2021. The Committee selected August 31, 2021 for the following quarterly meeting.

11. Committee Members comments

No comments.

12. Update from Investment Consultant

Mr. Cousineau noted the Vanguard Extended Market Index could be upgraded to the “plus” version (noted in item 6b).

13. Update from Recordkeeper

No comments.

14. Administrative Staff/Department of Administration Updates

No comments.

15. Public Comment

No public comments.

16. Adjournment

The meeting was adjourned at 1:40 p.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant