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STATE OF NEVADA DEPARTMENT OF ADMINISTRATION

PUBLIC EMPLOYEES' DEFERRED COMPENSATION PROGRAM

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**DEFERRED COMPENSATION COMMITTEE
QUARTERLY MEETING MINUTES**

June 9, 2021

The quarterly meeting of the Deferred Compensation Committee was held on Wednesday, June 9, 2021, at 9:00 a.m. by videoconference, teleconference, and in person at 515 E. Musser Street, Carson City, Nevada.

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

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

OTHERS PRESENT

Bishop Bastien, Voya
Rob Boehmer, NDC Executive Officer
Rasch Cousineau, Hyas Group
Lyn Hansen, Grover C. Dils Medical Center

Amy Lewis, Elko County
Henna Rasul, Sr. Deputy Attorney General
Micah Salerno, NDC Admin. Assistant
Unknown Participant, 63322349628

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

Chairman Ervin called the quarterly meeting to order for the Nevada Deferred Compensation (NDC) Committee at 9:01 a.m. on Wednesday, June 9, 2021.

Mr. Boehmer took roll, determined a quorum was present, and confirmed the meeting was properly noticed and posted. The chat option in Zoom was turned off to comply with Open Meeting Law.

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 March 2, 2021.**

Motion by Ms. Bowman to approve the minutes from March 2, 2021, second by Vice Chair Ferguson. Motion passed unanimously, 5-0.

4. For Possible Action- Receive, discuss, and approve Executive Officer Report of first quarter 2021.

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. An enrollment update was reported. It was noted that enrollments were down in 2021 versus 2020, which was somewhat surprising since employees had been returning to work in 2021.
- c. New Political Subdivisions Update and Report:
 - i. The three new subdivisions approved at the March meeting would be active with NDC in July.
- d. The Financial Audit Vendor Rating Worksheet was provided, and Mr. Boehmer shared that the contract extension for Financial Auditor, Casey Neilon, was approved by Board of Examiners with a negotiated saving of \$8,700.
- e. 2021 Legislation was noted. Chair Ervin stated there was a change to open meeting laws creating a permanent option to have either virtual or in-person meetings. Previously, the virtual only option was only available due to emergency legislation enacted because of the 2020 COVID-19 pandemic.

Motion by Mr. Kruse to approve the Executive Officer report. Second by Ms. Bowman, motion passed unanimously, 5-0.

5. For Possible Action- Receive and approve Investment Consultant's review of first quarter 2021.

Hyas Group provided the Investment Consultant Review which included:

- a. The First Quarter 2021 Performance Report – Features of the report were:
 - i. Market Commentary: The economy continued to heat up in the first quarter of 2021 and was finally catching up to financial markets, many of which experienced record gains this past year. Key positives for the economy included improving job numbers, easing of business restrictions, broadening vaccination availability, and the recently passed \$1.9 trillion federal stimulus package. This economic acceleration had some investors concerned about too much heat too fast which could lead to inflation. The Federal Reserve was not convinced and seemed to be at odds with market makers. It will be interesting to see how 2021 plays out.
 - ii. Plan Data Review: March 31, 2021, full-time Plans' assets were \$1,036,002,648 which represented a market gain of \$20,489,980 for the quarter. Net cash flow for the period was -\$7.8 million which is \$31.2 million annualized. It was noted that first quarter typically features larger outflows and while -\$7.8 million is concerning, previous first quarter numbers have been -\$11 million. Voya noted outside firms receiving rollout dollars such as LPL, Schwab, TD Ameritrade, and Edward Jones.
 - iii. Current Fund Lineup Overview and Performance Review:
 - The Committee approved Hyas Group's recommendation to remove the T. Rowe Price Growth Stock (PRUFX) from the watch list. The fund is fully compliant per the IPS. Specifically, the fund is in the top 50% versus

peer group (#26) and is outperforming its benchmark (+0.21%) for the five-year trailing period.

- Hyas Group also noted that MFS is making a Large Cap Value CIT available effective July 1, 2021. The CIT would still be more expensive than the current R4 share class, 0.47% versus 0.37% (NET). No action was recommended.
- iv. Plan Fee/Revenue Review: Chair Ervin asked about the next tier for Vanguard Target Date Fund fee reductions. NDC currently had \$215 million in the suite. The Plans require a minimum of \$250 million to be eligible for the lower cost Vanguard Target Date Fund CITs which would be 0.08% versus the current 0.09% for the Institutional Share class TDFs.

Motion by Vice Chair Ferguson to approve the Hyas Group quarterly report including removing T. Rowe Price Growth Stock from the watch list. Second by Mr. Kruse, motion carried unanimously, 5-0.

- b. Plan Investment Structure Analysis and Recommendations:
 - i. Hyas Group presented final fund mapping reflecting changes from the previous quarter. The changes would go into effect July 9 and would save NDC participants approximately \$428,000/year in reduced investment costs.
- c. Legal and Regulatory Updates:
 - i. Hyas Group's 1Q21 Fiduciary Advisor Newsletter was provided. It included:
 - A review of the DOL decision not to enforce recent DOL ESG and Proxy Guidance
 - A review of Windfall Elimination Provision (WEP)
 - An overview of SECURE Act 2.0 which was expected to pass later in 2021. Key provisions included:
 - Eliminating the 457 Plan "first-of-the-month" rule
 - Expanding over 50 catch-up limits from \$6,500 to \$10,000
 - Requiring all over-50 catch-up contributions to be after tax as soon as 2022
 - Expanding Required Minimum Distributions from age 72 to age 75
 - ii. An updated final Investment Policy Statement was provided reflecting updates to the benchmarking and NDC core investment lineup made at the March 2, 2021 Quarterly Committee meeting. Updates included:
 - Date updated to June 2021
 - Addition of 2065 Target Retirement Fund
 - "Plus" removed from Fixed Income category benchmark
 - Revision of Mid-Cap benchmark to reflect fund-mapping
 - Revision of International benchmark to reflect fund-mapping
 - Revision of International Actively managed peer group from growth to blend

The Committee approved the IPS. Another IPS update would be provided at the Q1 2022 meeting.

Motion by Mr. Kruse to approve the final Investment Policy Statement. Second by Vice Chair Ferguson, motion passed unanimously, 5-0.

- d. Compliance Audit/Review Report – Hyas Group presented their findings and recommendations to the Committee and Administrative Staff which included:
 - i. Review of sample transactions

- ii. Review of participant and plan sponsor websites
- iii. Review of Plan Documents including updates regarding:
 - First-of-the-month rule process
 - Three-year catch-up process
 - Unforeseeable Emergency process
 - Required Minimum Distributions (RMDs)
 - Missing participant searches
- iv. Review of governance documents including:
 - IPS – updated June 2021
 - Administrative Manual – updated January 2021
 - Fee Policy Statement – updated January 2021
 - Cybersecurity Policy – not currently available
- v. Review of current best practices and future considerations including:
 - Addition of Separate Bylaws/Charter document; this may also be attached as an addendum to the Administrative Manual
 - Addition of Cybersecurity Policy; this may also be attached as an addendum to the Administrative Manual
 - If applicable, implement SECURE Act 2.0 legislative changes, as necessary
 - If applicable, determine potential Plan modifications related to DIA audit 21-05
 - Continue to evaluate employee engagement programs to further improve plan participation and retirement outcomes
 - Continue to evaluate auto-enrollment and its potential applicability to NDC
 - Continue to monitor DOL guidance and its relevance to NDC Plans

Chair Kent Ervin requested that these “future consideration” items be converted to a checklist that may be utilized throughout the year and at the Planning meeting in January. The Committee was especially interested in two items:

- i. Cybersecurity Policy – Hyas Group would provide an update at the next meeting regarding the recent discussions between SPARK and the DOL regarding cybersecurity guidance. NDC Staff would also reach out to internal State of Nevada resources (possibly the Enterprise IT division) for guidance and potential participation during cybersecurity presentations.
- ii. Improving employee engagement – This has been a consistent theme of the Compliance Reviews in 2013, 2017, and 2021. While metrics in NDC’s Plans were generally healthy, participation and contributions could be improved. NDC and Voya would continue to discuss methods for improvement as it related to employee engagement.

Motion by Mr. Kruse to approve the Compliance Report from Hyas Group with direction to staff. Second by Ms. Bowman, motion carried unanimously, 5-0.

6. For Possible Action – Receive and approve plan activity and service report from contracted recordkeeper Voya Financial for first quarter ending March 31, 2021. Highlights included:

- a. An overview of rollouts detailing firms receiving the most assets was provided. Voya would talk with the internal Voya team to determine if there were methods to discover themes for the rollouts, i.e. annuity purchases.

- b. A 2021 Communications Strategy update was given. Local reps were beginning to get back out into the field and as a result, participant engagement (enrollments, contributions) was expected to improve.
- c. An overview was provided regarding website enhancements which included more targeted technology, intuitive design, personal messaging, and action-oriented buttons/banners.

Motion by Vice Chair Ferguson to accept the Voya Quarterly Report. Second by Ms. Bowman, the motion passed unanimously, 5-0.

- 7. For Possible Action- Confirm Quarterly Meeting scheduled for August 31, 2021. Schedule Quarterly Committee meeting and/or any special meetings.

The upcoming Committee meeting schedule:
Quarterly Meeting (in-person and virtual): Tuesday, August 31, 2021
Quarterly Meeting (virtual): Tuesday, November 16, 2021
2022 Annual Planning Meeting (in person): Friday, January 21, 2022

- 8. Committee Members comments

No comments.

- 9. Update from Investment Consultant

No comments.

- 10. Update from Recordkeeper

No comments.

- 11. Administrative Staff/Department of Administration Updates

No comments.

- 12. Public Comment

No public comments.

- 13. Adjournment

The meeting was adjourned at 11:40 a.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant