



STATE OF NEVADA DEPARTMENT OF ADMINISTRATION

PUBLIC EMPLOYEES' DEFERRED COMPENSATION PROGRAM

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**DEFERRED COMPENSATION COMMITTEE
ANNUAL PLANNING MEETING MINUTES**

Friday, January 21, 2022

The Annual Planning Meeting of the Deferred Compensation Committee was held on Friday, January 21, 2022, at 8:30 a.m. by videoconference and 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/2022/2022_Meetings/

COMMITTEE MEMBERS

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

OTHERS PRESENT

Kevin Balaod, journalist
Bishop Bastien, Voya
Rob Boehmer, NDC Executive Officer
Tom Breaden, Hyas Group
Denise Chapman, Hyas Group
Rasch Cousineau, Hyas Group
Scott Darcy, Voya

Merrill Desrosiers, Voya
Cheryl Garcia, Elko Convention & Visitors Authority
Travis Jorgensen, Vanguard
Henna Rasul, Sr. Deputy Attorney General
Micah Salerno, NDC Admin. Assistant
Brian Scott, Vanguard

1. Call to Order/Roll Call

Chairman Ervin called the annual planning meeting to order for the Nevada Deferred Compensation (NDC) Committee at 8:30 a.m. on Friday, January 21, 2022.

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.

Steve Sisolak
Governor

Laura E. Freed
Director

Matthew Tuma
Deputy Director

Rob Boehmer
Executive Officer

3. Approval of Nevada Public Employees' Deferred Compensation Program (NDC) Committee (Committee) meeting minutes for public meeting held on November 16, 2021.

Motion by Vice Chair Ferguson to approve the minutes from November 16, 2021, second by Ms. Bowman. Motion passed unanimously, 5-0.

4. For Possible Action- Receive and discuss Annual Training overview of the following:
- a. Annual Open Meeting Law training overview.

Henna Rasul, Senior Deputy Attorney General, presented an Annual Open Meeting Law Training overview.

- b. Fiduciary Fundamentals training overview.

Hyas Group provided a fiduciary education training that included:

- Updates regarding recent DOL guidance related to the Fiduciary Rule.
- Environmental, Social and Governance (ESG), Cybersecurity, and Electronic Communications Updates. Mr. Cousineau suggested NDC create a Cybersecurity Policy.
- Training also included an update regarding current retirement plan legislation including SECURE Act 2.0 and the RISE Act. One of the pieces of legislation was expected to pass in 2022. Provisions may include:
 - Over 50 catch-up contributions increasing from \$6,500 to \$10,000 additional
 - Expansion of Required Minimum Distributions (RMDs) from age 72 to 75
 - Elimination of the 457 Plan "first of the month" rule
 - Potential option for participants to direct employer contributions towards reducing student debt where applicable.
- Hyas Group would continue to provide regular updates to the Committee and NDC staff as needed.

5. For Possible Action- Investment Line-up Discussion and Review

A discussion and review of the investment lineup included:

- a. Hyas Group introduced Vanguard and the topic of Collective Investment Trusts (CITs). CITs are exclusive retirement plan investment vehicles that typically cost less than retail mutual funds. The Committee was evaluating the Vanguard Target Date Suite (\$225 million in assets) for possible transfer from Vanguard Target Retirement mutual funds to Vanguard Target Retirement CITs.
- b. Vanguard presented their Target Date CITs versus mutual funds and their overall approach to CITs:
- If approved, the move from retail Target Retirement Funds (0.08%) to CITs (0.075%) would save NDC participants 0.005% or .5 basis points which equates to approximately \$11,000 per year in savings.
 - The CITs may also provide tax redemption benefits to NDC participants via the total international stock component.
 - CITs may also include an additional retirement "landing point" called the Target Retirement Income and Growth Trust which would provide a 50/50 equity/fixed income allocation versus 30/70 provided by the Retirement Income option. The Income and Growth 50/50 option is only available in CITs and would be an "add-on" investment option to the Target Retirement suite if applicable. The NDC Committee may vote to add this option if/when the transition to CITs is approved.

- If adopted, CITs would require paperwork confirming NDC's eligibility as a retirement Plan. Hyas Group would assist with the paperwork if necessary.
 - Voya confirmed they can record keep the CITs in their system if approved by the Committee.
 - The Committee will vote on moving to the CITs at the regularly scheduled March meeting.
- c. Vanguard also provided an analysis of the firm's investment stewardship as well as the pros and cons of ESG investments:
- Vanguard currently offers six ESG funds (out of approximately 400).
 - Vanguard was agnostic to whether NDC adopts an ESG option however did confirm that ESG options had little engagement when available in a lineup.
 - Hyas Group noted that ESG investments may cause fiduciary conflicts if made available in the lineup.
 - There was also discussion related to Diversity Equity and Inclusion (DEI) and its role within investments.
 - ESG scores were becoming more common within the investment universe. Such "Carbon Intensity Scores" measure an investment portfolio's ESG friendliness.
 - NDC requested that Hyas Group begin reporting ESG scores as soon as an industry accepted metric became available.
 - ESG and DEI should be "headline" investment topics throughout 2022 and beyond.
6. For Possible Action – Conduct annual review and discussion of current NDC governing documents and plan design. The Committee may recommend any amendments or changes to the following:
- a. Investment Policy Statement (IPS) – The document would be updated again in June. CIT language would be added, if necessary.
Cybersecurity Policy – The Committee approved staff to work with Hyas Group in creating a Cybersecurity Policy draft. The draft would be presented at a future meeting. When complete, the Cybersecurity Policy would likely reside within the NDC Administrative Manual.
 - b. 457(b) Plan Document – The Committee discussed potential amendments including modifying language describing 2020's CARES Act provisions as past tense.
 - c. Federal Insurance Contributions Act (FICA) Alternative Plan Document – The Committee discussed potential amendments including modifying language describing 2020's CARES Act provisions as past tense.
 - d. Review NDC Nevada Revised Statutes (NRS), Nevada Administrative Code (NAC), and State Administrative Manual (SAM) – The Committee reviewed the documents and noted revisions may need to occur that grant the Committee authority to approve auto-enrollment features if added in the future. The Committee requested to see conceptual language for the opt-out feature for discussion at the June meeting.
Chair Erven noted that NRS 287.330 stated the Committee Chair should be appointed at the first meeting of the year which would be January so should add that to the agenda in the future.
 - e. Administrative Manual – The Committee discussed the addition of the Cybersecurity Policy. Voya would schedule their cybersecurity expert to present to the Committee again at a future meeting.
 - f. Future Plan initiatives and/or Plan design changes – The budget build would start in March 2022; proposing Opt-out Bill Draft with implementation of Program Auto-enrollment Features.

7. For Possible Action - Review of the 2021 NDC Strategic Plan included the following:

- a. The 2021 Annual Administrative and Strategic Plan was reviewed, and future strategic priorities include:
- Additional outreach to potentially offer the NDC 457 Plan to Nevada School Districts
 - Discussion of Smart21 as related to auto-enrollment features
 - Ongoing fee reductions and investment discussion as necessary
 - Continued evaluation of governance documents, including adding the Cybersecurity Policy
 - Potential inclusion of a NDC priced open architecture in-Plan Guaranteed Retirement Income option, when available – likely 2023 or later
 - Discussion of the 2024 recordkeeper RFP; process should begin in mid-2023
 - The Committee requested that NDC evaluate campaigns and submit as necessary for National Association of Government Defined Contribution Administrators (NAGDCA) awards. While the Plan had not won a NAGDCA award since 2012, many of the processes and features currently made available to the Plan and participants may warrant an award submission. NAGDCA awards submissions are due April 29, 2022.

Lunch break called from 12:30 pm to 1:00 pm.

- b. The Annual Strategic Communications Plan was presented and included:
- The Department of Labor (DOL)'s guidance on electronic communications was discussed
 - Voya provided a report on the 2021 Annual Plan Participant Satisfaction Survey:
 - There were 1,498 responses (1,068 in 2020)
 - Nearly 60% were overall satisfied
 - There was a disconnect and worrying trend between on-site service satisfaction and call center satisfaction. Call center satisfaction was declining each year.
 - Voya provided an overview of the Quarterly Retirement Updates (QRUs) service. The service offered by Voya partner Edelman Financial Engines, would provide quarterly nudges to participants about saving for retirement. The Committee requested a "light launch" of the service, perhaps a beta test including Committee members and key staff, prior to any type of full-scale approval.
- c. Voya shared the 2022 NDC Participant Communications Plan. Discussion included the Deferred Word newsletter which was the most custom newsletter made available to any Voya clients. The Deferred Word could qualify for a NAGDCA award if outcomes could be measured because of the newsletter outreach.

8. For Possible Action – NDC contract(s) review and Program contract evaluations:

- a. Existing contract expirations
- Investment Consulting and Compliance Review contract
 - Recordkeeping contract
 - Financial Audit contract

The Committee requested that NDC staff include contract expiration dates in the Executive Officer report at each quarterly meeting.

- b. Mandatory vendor rating evaluations
 - Investment Consultant and Compliance Audit Contractor – Hyas Group
 - Financial Audit Contractor – Casey Neilon
 - Recordkeeper – Voya Financial

9. For Possible Action – Discuss participation in the following training opportunities:

- a. NAGDCA Sponsored Washington, D.C. Fly-in was originally scheduled for March 1-2, 2022, but has been postponed to May/June. Committee members Chair Ervin, Mr. Kruse, and Ms. Bowman were interested in attending the DC Fly-in.
- b. NAGDCA Annual Conference was scheduled for September 18-21, 2022, in Baltimore, Maryland at the Hilton Baltimore Inner Harbor. Committee members Vice Chair Ferguson and Ms. Chang wished to attend, and the other Committee members supported this request.

10. For Possible Action- Confirm quarterly meeting scheduled for March 10, 2022. Schedule Quarterly Committee meeting and/or any special meetings.

The upcoming Committee meeting schedule:
Quarterly Meeting: Thursday, March 10, 2022, in person
Quarterly Meeting: Wednesday, May 11, 2022, virtual

11. Committee Members comments

The Committee thanked staff and the presenters.

12. Update from Investment Consultant

No comments.

13. Update from Recordkeeper

No comments.

14. Administrative Staff/Department of Administration Updates

Mr. Boehmer noted he would work with Voya and Hyas Group for NAGDCA award submissions.

15. Public Comment

No public comments.

16. Adjournment

The meeting was adjourned at 3:00 p.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant