



STATE OF NEVADA DEPARTMENT OF ADMINISTRATION

Steve Sisolak Governor

Laura E. Freed
Director

Matthew Tuma
Deputy Director

Rob Boehmer Executive Officer

PUBLIC EMPLOYEES' DEFERRED COMPENSATION PROGRAM

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DEFERRED COMPENSATION COMMITTEE QUARTERLY MEETING MINUTES

Tuesday, November 16, 2021

The quarterly meeting of the Deferred Compensation Committee was held on Tuesday, November 16, 2021, at 9:00 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/2021/2021/

COMMITTEE MEMBERS

Debbie Bowman Matt Kruse Jeff Ferguson, Vice Chair Kent Ervin. Chair

OTHERS PRESENT

Irene B. Adams, Workforce Connections Kim Anderson, Voya Bishop Bastien, Voya Rob Boehmer, NDC Executive Officer Rasch Cousineau, Hyas Group Scott Darcy, Voya Henna Rasul, Sr. Deputy Attorney General Micah Salerno, NDC Admin. Assistant Walter Slack, State of Nevada

1. Call to Order/Roll Call

Chairman Ervin called the quarterly meeting to order for the Nevada Deferred Compensation (NDC) Committee at 9:03 a.m. on Tuesday, November 16, 2021.

Mr. Boehmer took roll, determined a quorum was present, and confirmed the meeting was properly noticed and posted. He noted that Ms. Chang was excused from the meeting.

The chat option in Zoom was turned off to comply with Open Meeting Law.

2. Public Comment

No public comments.

3. <u>Approval of Nevada Public Employees' Deferred Compensation Program (NDC) Committee</u> (Committee) meeting minutes for public meeting held on August 31, 2021.

Motion by Mr. Kruse to approve the minutes from August 31, 2021, second by Vice Chair Ferguson. Motion passed unanimously, 4-0.

- 4. For Possible Action- Receive, discuss, and approve Executive Officer Report of third quarter 2021.
 - Mr. Boehmer reviewed his quarterly report including:
 - a. FY2021 Budget Status Report (BSR):
 - i. A report was given and reviewed on the current projection of revenue based on the up-to-date participant level and projection of expected reserve balance at the end of FY2022/2023. There were 207 days' worth of cash reserves available.
 - ii. A report was given and reviewed on the Administrative Account data and General Ledger data. Admin Allowances were \$232,785 for full-time Plans and \$7,269 for the FICA Alternative Plan.

Mr. Boehmer noted a work program was in process for In-state and Out-of-state travel. He met with the Director and Assistant Director of Department of Administration to discuss changed the current temporary position in the NDC Office to a State position as well as reclassifying Ms. Salerno's position.

- b. Quarterly Plan Activity and Data Report FICA accounts ended the period at 31,203.
- c. Nevada Saves Month Report Staff was anticipating a spike in activity (enrollments, contribution increases) because of the recent Nevada Saves Webinars.
- d. The Executive Branch Audit Committee Report Staff continued to work with appropriate agencies. The six-month review was coming up in January.
- e. Contract Management Report
 - i. RMD Issues It was discovered that approximately 85 participants had improper tax amounts withheld from their Required Minimum Distributions. Staff had been working with Voya conducting outreach to those affected. Voya had corrected the errors and modified systems so they would not occur in the future.
 - ii. Rollover Issues As a result of NDC moving to the new OMNI 7.0 platforms, participant IRA transfers were no longer coded as trustee-to-trustee transfers. Instead, participants were receiving checks, and this was creating errors. The Committee requested Voya correct the current process and ideally revert to the trustee-to-trustee transfer method. Voya would provide an update at the January Planning meeting or the next quarterly meeting.
 - iii. Financial Audit Report

Motion by Vice Chair Ferguson to approve the Executive Officer report. Second by Ms. Bowman, motion passed unanimously, 4-0.

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

Hyas Group provided the Investment Consultant Review which included:

- a. The Third Quarter 2021 Performance Report Features of the report were:
 - i. Market Commentary Third Quarter 2021 was a bumpy ride...to nowhere. Major markets were relatively flat, the Fed and Investors continued their inflationary "argument", the supply chain remained stalled (literally) and COVID stubbornly blocked global reopening. Yet corporations continued to churn out record profits, consumers continued to spend at record levels, and large cap growth stocks continued to beat nearly every other asset class (except for commodities). When do these cycles break? Historically the fourth quarter has been somewhat of a harbinger

- for the following year's financial trends and outcomes. It will be interesting to see if that is the case for fourth quarter 2021.
- i. Plan Data Review September 30, 2021, full-time Plans' assets were \$1,075,421,979 which represents a market loss of \$8,228,125 for the quarter. Net cash flow for the period was -\$4.64 million and -\$14.15 million year-to-date. Staff provided a recent update. As of November 15, total plan assets were \$1.18 billion, will the full-time Plan up approximately \$50 million since the end of the quarter.
- ii. Current Fund Lineup Overview and Performance Review -
 - Capital Group/American Funds' recent portfolio management changes –
 Manager Jesper Lyckeus will be retiring at year-end. Hyas Group had no
 concerns as Mr. Lyckeus managed less than 4% of the portfolio and the
 fund's ten other managers would remain with the fund.
 - Vanguard's recent Target Date Funds changes Fees would reduce from 9 bps to 8 bps automatically in February of 2022. As a result of Vanguard's recent threshold reduction (to \$100 million) for Target Date Collective Investment Trusts, NDC now qualified for Target Date CITs. The Committee requested Vanguard provide a presentation at the upcoming January 21, 2022, planning meeting. That presentation would be a potential action item for the Committee to decide whether to move towards CITs. Hyas Group would reach out to Vanguard.
- iii. There were no funds on watch.
- iv. Plan Fee/Revenue Analysis Fees were weighted at 27.8 basis points, down 3.7 basis points from last quarter, largely due to the recent lineup changes.
- b. Legal and Regulatory Updates
 - i. The Supreme Court was scheduled to begin excessive fee lawsuit hearings December 6, 2021.
 - ii. Department of Labor (DOL) proposing amendments to ESG Guidance were provided by the previous administration's DOL.
 - iii. Social Security announced a "substantial" 5.9% COLA increase beginning in 2022.
 - iv. Fiduciary Insurance premiums were increasing due to increased lawsuits against 401(k) Plans.
 - v. The DOL was concerned about potential for cryptocurrency investments inside of retirement plans.

Motion by Mr. Kruse to approve the Hyas Group quarterly report. Second by Vice Chair Ferguson, motion carried unanimously, 4-0.

Chair Erven called a five-minute break.

- 6. For Possible Action Receive and approve plan activity and service report from contracted recordkeeper Voya Financial for third quarter ending September 30, 2021. Highlights included:
 - Mr. Bishop Bastien and Mr. Scott Darcy reviewed the Voya quarterly report and communications.
 - a. An overview of withdrawals was given. The Committee requested Voya re-label "in-service withdrawals" to more accurately reflect that the withdrawals represent retirees and participants who have separated from service.
 - b. An overview of rollovers out was given.
 - c. An education campaign overview was provided including:
 - i. A "Restart Saving" metrics review was given with a 4.4% action rate (68/1,544) resulting from the August campaign.
 - ii. Contribution limit communication was provided.

- iii. There was a 2022 education calendar overview. Staff requested Cybersecurity Month (October) be considered as part of the outreach.
- iv. The Committee also requested Voya consider that Nevada participants have no long-term disability or social security when developing campaigns.
- d. Voya also provided an overview of local rep activities including the hiring of a new representative.
 - i. For the quarter, reps enrolled 345 new participants
 - ii. Reps provided 41 group meetings for the quarter
 - iii. Reps also conducted 524 individual appointments.

Motion by Mr. Kruse to accept the Voya Quarterly Report. Second by Ms. Bowman, the motion passed unanimously, 4-0.

7. For Possible Action- Confirm Annual Planning Meeting scheduled for January 21, 2022. Schedule Quarterly Committee meeting and/or any special meetings.

The upcoming Committee meeting schedule:

2022 Annual Planning Meeting (in person): Friday, January 21, 2022

Quarterly Meeting: Thursday, March 10, 2022 Quarterly Meeting: Wednesday, June 15, 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 11:29 a.m.

Respectfully submitted,

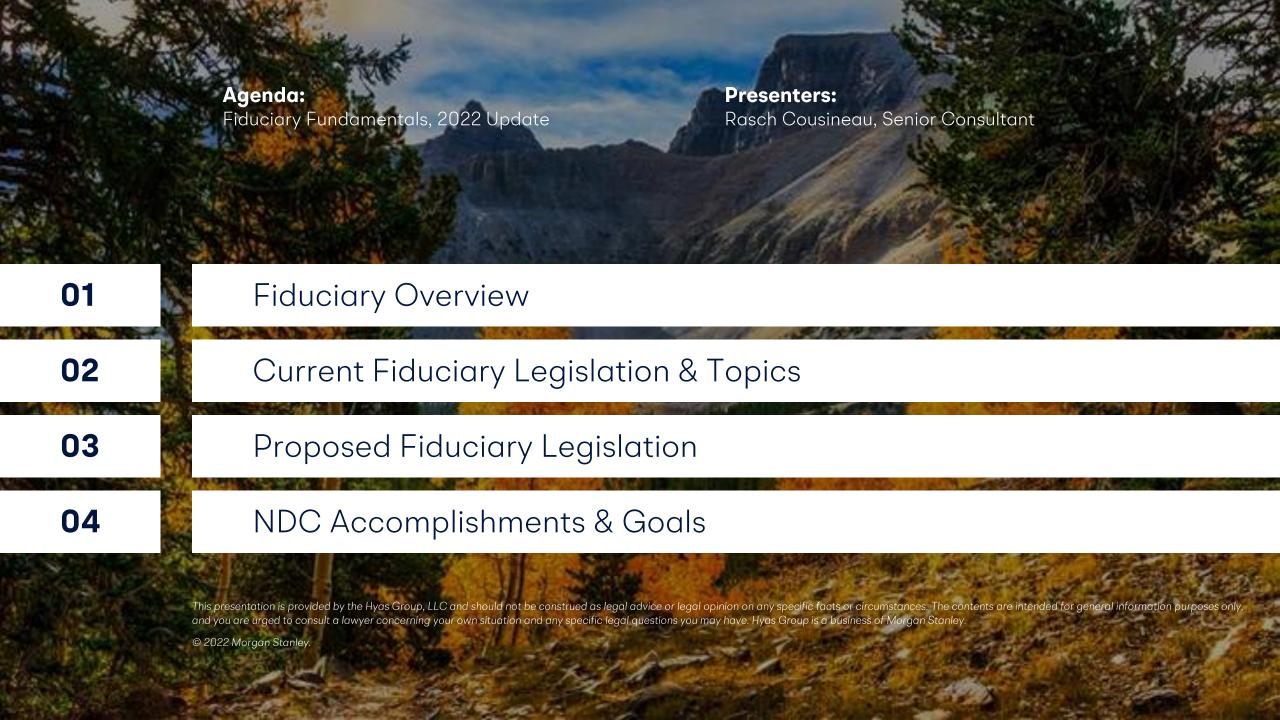
Micah Salerno

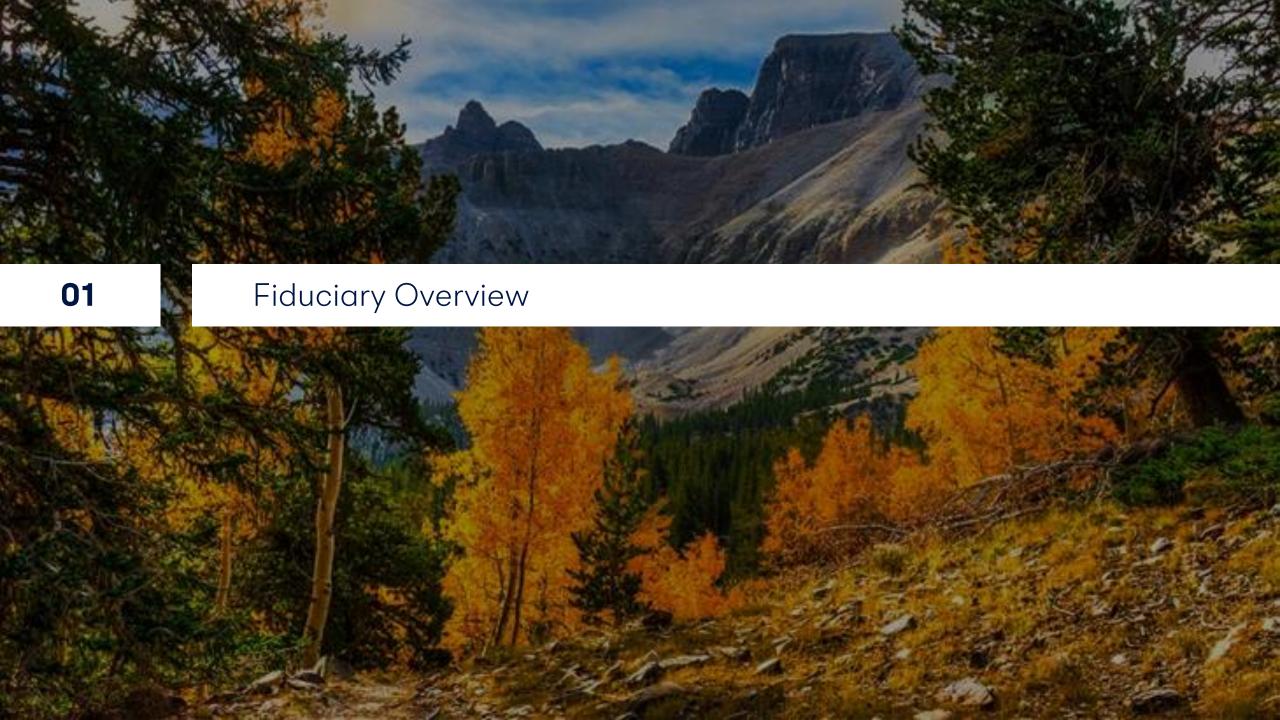
NDC Administrative Assistant



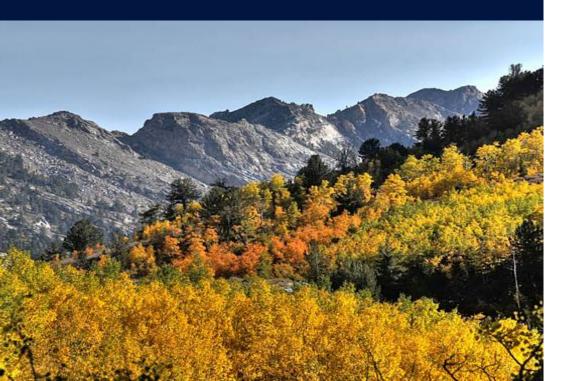
STATE OF NEVADA

Fiduciary Update 2022





WHO IS A FIDUCIARY?



Anyone with discretionary authority or control over the administration of a retirement plan or its assets.

WHO IS A FIDUCIARY?

Fiduciary by name:

- Plan Sponsor
 - NDC Committee
 - NV-DOA Admin Staff
 - NV-DAG
- Co-Fiduciaries
 - Investment Consultant

Fiduciary by action:

Anyone who acts as a fiduciary can be considered a fiduciary.

WHAT IS A FIDUCIARY?



Persons who, by either function or appointment, have discretionary authority over plan assets and/or administration.

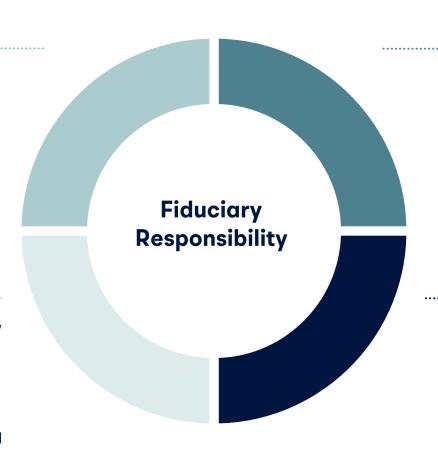
FIDUCIARY DUTIES PER ERISA

Duty of Loyalty

- Avoid self-dealing
- Avoid conflicts of interest
- Operate the plan for the exclusive purpose of providing benefits and offsetting reasonable expenses
- Reasonable Plan expenses may be charged

Duty of Prudence

- A fiduciary must execute his/her duties with the care, skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with such matters would use:
 - Allows for the hiring of "experts" to assist
 - Experts must be prudently selected and monitored



Duty to Diversify

- "A fiduciary must diversify investments in order to minimize risk of loss unless it would be considered prudent not to diversify investments"
- For Defined Contribution Plans with Self-Direction of Investments by Participants:
 - ERISA § 404(c) is an accepted guide to minimums, but only requires three options

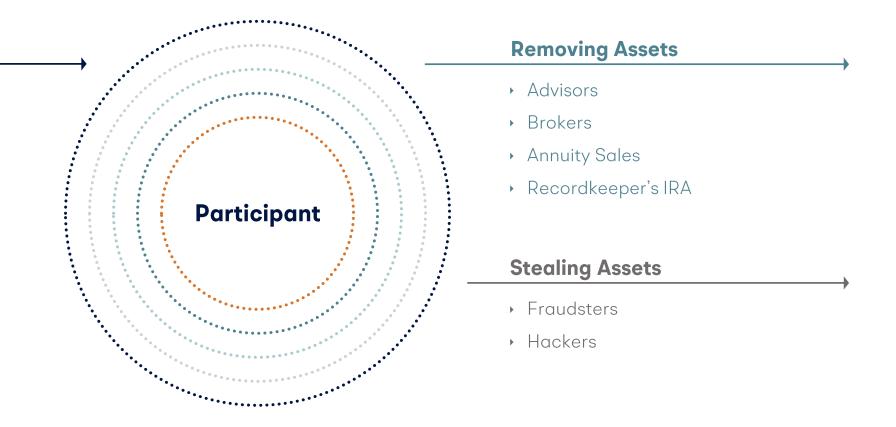
Duty to Follow Plan Document

- Must oversee and make sure the plan operates in compliance with the plan document, trust agreements and/or other documents
- Fiduciaries should be familiar with:
 - Plan documents
 - Federal and State law in relations to the documents

MULTIPLE LAYERS OF PROTECTION & FIDUCIARY OVERSIGHT

Protecting Assets

- Recordkeeper
- Plan Sponsor
 - NDC Committee
 - NV-DOA Admin Staff
 - NV-DAG
- Plan Consultant
- Outside Legal Counsel
- Asset Management Companies/ Funds/Trust/Board of Directors
- Trust Company & Custodian



05

FIDUCIARY UPDATE 2022 FIDUCIARY OVERVIEW









GOVERNANCE STRUCTURE



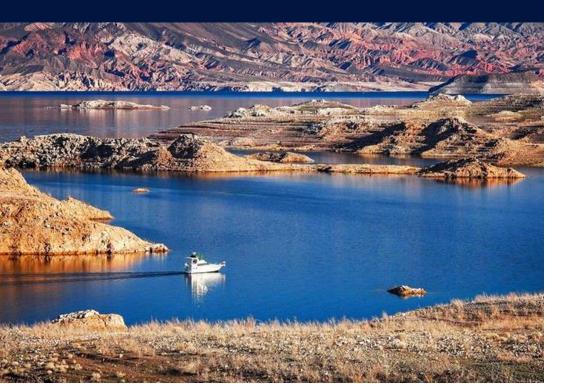






DEPARTMENT OF LABOR

EMPLOYEE BENEFITS
SECURITY ADMINISTRATION



- DOL is essentially the Federal Government's Fiduciary Department.
- EBSA is the part of the DOL responsible for administering and enforcing the provisions of the 1974 Employee Retirement Income Security Act (ERISA).
- ERISA covers most private sector pension plans.
- ERISA is followed as best practice by leading governmental plans.

FIDUCIARY UPDATE 2022

DOL FIDUCIARY RULE

2017

Attempted to extend fiduciary role to external parties who receive plan assets

2018

Dismissed by US Fifth Circuit Court

2019

 DOL resurrected Rule with SEC, adopted by many states anyway - Nevada SB 383, NRS 628

2021

Partial rule adopted in March, subjects IRAs to five-part test

FIDUCIARY UPDATE 2022 CURRENT FIDUCIARY LEGISLATION

DOL GUIDANCE ENVIRONMENTAL, SOCIAL, & GOVERNANCE (ESG)

April 23, 2018 DOL Field Assistance Bulletin:

 "plan fiduciaries are not permitted to sacrifice investment return or take on additional investment risk as a means of using plan investments to promote collateral social policy goals"

October 30, 2020 "Final" Rule Issued

- "Pecuniary" factors should influence Fiduciary decisions, i.e., performance first
- ESG not mentioned in Rule

FIDUCIARY UPDATE 2022 CURRENT FIDUCIARY LEGISLATION

DOL GUIDANCE ESG, CONT.

October 14, 2021

- Reversal of 2020 "Final" Rule begins
- "ESG factors can in fact be relevant to the risk and return characteristics of an investment"

December 14, 2021

 Senators Toomey (PA), Scott (SC), Crapo (ID), and Burr (NC) write letter to DOL Secretary Walsh criticizing reversal of 2020 rule

2022

ESG update expected

FIDUCIARY UPDATE 2022 CURRENT FIDUCIARY LEGISLATION

DOL GUIDANCE CYBERSECURITY

Issued April 14, 2021

- Three key areas of focus:
 - 1. <u>Tips for Hiring Service Provider</u>
 - 2. <u>Best Practices</u>
 - 3. Online Security Tips

FIDUCIARY UPDATE 2022

DOL GUIDANCE CYBERSECURITY, CONT.

- Cybersecurity Guidance caused confusion:
 - Ambiguity regarding liable parties
 - Penetration testing requirements conflict with industry standards
 - No reference to Cybersecurity/Fiduciary Insurance
- Industry Groups (SPARK) working with DOL to clarify
- Additional guidance expected

FIDUCIARY UPDATE 2022

DOL GUIDANCE DEFAULT ELECTRONIC DISCLOSURE

- Effective September 18, 2021- allows Plan Administrators to provide plan information to participants electronically
- Origins: 2002 DOL Safe Harbor Rule, 2006 Treasury Dept. Code of Federal Regulations (CFR) #26, 2018 Presidential executive order 13847
- Coincides with required DC plan lifetime annuity illustrations
- Rumors that it will be revisited with regulations forthcoming



SECURE 2.0

Securing a Strong Retirement Act

- Bipartisan support
- Expected to pass in 2022

Current Provisions Include:

- Matching contributions for employees paying off student loans
- Over 50 catch-up contributions increased for plans and IRAs
 - IRS pushing that over 50 catch-up contributions be after tax
- RMDs increased from age 72 to 75
- Eliminating 457 Plan First of the Month rule

RISE ACT

Retirement Improvement & Savings Enhancement Act

- US House Education and Labor Committee (Unanimous)
- Introduced November 2021
- Includes SECURE 2.0

Additional Provisions:

- Establish an online, searchable "Retirement Lost and Found" database at the DOL to help workers locate their retirement
- Ensure more part-time workers are offered opportunities to join retirement savings plans
- Clarify rules regarding the recovery of inadvertent overpayments to retirees, minimizing hardships
- Enable employers to provide small financial incentives, such as low-dollar gift cards, to incentivize workers' participation in retirement plans
- Simplify and clarify reporting and disclosure requirements related to retirement plans



NDC ACCOMPLISHMENTS & GOALS

NDC ACCOMPLISHMENTS SOURCE: 2021 COMPLIANCE AUDIT

- NDC provides regular fiduciary training and legislative updates to Committee members and staff.
 This also includes special fiduciary training for new members, as necessary.
- NDC evaluates and updates Plan Documents regularly (January 2021).
- NDC evaluates and updates Governance Documents regularly. The Committee recently updated the Investment Policy Statement (March 2021).
- NDC regularly evaluates products and services offered to Plan participants including but not limited to advice services, planning services, and education and communication campaigns.
- NDC regularly ensures the efficiency and accuracy of internal processes. For example, NDC is currently working with the Governor's Finance Office, Division of Internal Audits ("DIA") regarding report 21-05, "Board of Pharmacy Deferred Compensation Match."
- NDC conducts an annual planning meeting to discuss Plan improvements for the coming year.

FIDUCIARY UPDATE 2022

FIDUCIARY UPDATE 2022 NDC ACCOMPLISHMENTS & GOALS

NDC ACCOMPLISHMENTS CONT.

- NDC provides internal budget updates for Plan(s) expenses at least quarterly.
- NDC receives an independent third-party Plan Audit of the 457 Plan and FICA Alternative Plan annually.
- NDC and the Committee regularly evaluate Plan costs and provide a fair and transparent expense structure to 457 and FICA Alternative participants. NDC has recently implemented a Fee Expense Policy (January 2021).
- NDC and the Committee regularly evaluate investment options. In 2021, the Committee recommended fund changes that save participants approximately \$428,000 annually.
- NDC regularly discusses relevant legislative changes and their potential impact to the Plans. This includes discussion regarding recent DOL guidance related to Environmental, Social and Governance ("ESG") funds, Government Accounting Standards Board (GASB) Issue No. 97, DOL Fiduciary Rule, DOL Cybersecurity Guidance, SECURE Act, SECURE Act 2.0, CARES Act results, Roth feature applicability, auto-enrollment and more.



NDC GOALS FOR CONSIDERATION

- Auto enrollment feature
- Continue to reduce costs
- Collective Investment Trusts, where appropriate
- Cybersecurity Policy
- Continued participant outreach
- Reduction of rollouts
- Industry recognition

Goals & Objective /Strategic Priority	WHY Why does this exist & what is the purpose?	HOW How are we going to fulfill and measure throughout the year?	WHAT What are we going to do to achieve the Goal & Objective/Strategic Priority?
Improving Employee Engagement, Participation, and Enrollment Rates	To improve the financial wellness of government employees and their families throughout the State of Nevada.	 100% on-boarding interactions Regular employee engagement Enact Communication and Marketing Plan Through planned seminars and webinars, group meetings, one-on-one meetings, and participation in financial wellness campaigns (i.e NFSW and America Saves Week) 	 Identify and market to government entities to bring the NDC Program on as an exclusive or additional voluntary supplemental DC option Identify, measure, and market agencies and divisions with low participation Execute target marketing and communications to employees; quarterly campaign marketing Group and one-on-one virtual interactions
Employee/Participant Marketing, Communication, Education, and On-Boarding	To improve financial wellness outcomes into and through retirement.	 Personalized and targeted messaging and communications; reminder messaging Use of predictive modeling to create multitouch and automated employee engagement Measure data analytics, conduct targeted focus groups, and Customer Service(s). 	 Develop, execute, and measure participant engagement with developed communication calendar Targeted enrollment and communication campaigns, webinars, seminars, etc. Promote developing a personal financial wellness plan; attempt to involve and interact with other benefit agencies
Plan Design, Administration, and Governance	To maintain compliance to federal and state guidelines, support the governor and legislative initiatives, and improve financial wellness.	 Maintain compliance standards Monitoring and measuring workload and performance measures Maintain and review governing documents and plan design features regularly 	 Evaluate plan compliance regularly Receive and monitor plan data: loan, UE, and distribution activity monthly and quarterly Annual fiduciary, OML, committee training Conduct RFPs /contract management
Investment Management	Maintain, manage, and develop an openarchitecture investment platform that drives and supports participant engagement and cost transparency.	 Maintain Investment Policy Statement and review regularly Receive and review quarterly investment/watch list report 	 Review Invest. Consult. recommendations Conduct fund searches as needed Regularly monitor plan cost structure and program generated revenue
Maintain or improve administrative, contractual, and budget management	Provide a valuable yet well-managed Program for the benefit of government employees across the State of Nevada in an effort to improve financial wellness outcomes.	 Maintain and manage the approved program budget Proper contract management Maintain customer service standards and positive employee interactions 	 Monitor budget and revenue status reports Conduct regular contract evaluations Process, monitor, and direct all program service and enrollment forms Monitor internal controls and policies

THANK YOU.

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