Steve Sisolak
*Governor*

Laura E. Freed
*Director*

Matthew Tuma
*Deputy Director*

Rob Boehmer
*Executive Officer*

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

# 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.

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 wen 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. <u>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:</u>

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. <u>For Possible Action - Review of the 2021 NDC Strategic Plan included the following:</u>

   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. <u>For Possible Action – NDC contract(s) review and Program contract evaluations:</u>

   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,

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Micah Salerno
NDC Administrative Assistant

# EXECUTIVE OFFICER'S REPORT
# March 10, 2022

- **Financial Report FY2022**
  - FY 2022 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 FY2022 to assist Admin. Staff with managing Program Revenue.
  - 4th Quarter Expense and Revenue Report- Revenue Administrative Account with Voya
- **Quarter Plan Activity & Data Report**- 4th Quarter Plan data report (attached)
- **Executive Branch Audit Committee Report**
- **Contract Management Report**
  - **Annual Contractor Evaluations**
    - **Voya Financial- Contract Exp.- 12/31/2024**
    - **Hyas Group- Contract Exp.- 05/31/2025**
    - **Casey Neilon- Contract Exp.- 07/31/2023**
  - **Financial Audit Report**

Nevada Deferred Compensation

FY 2022, BA 1017 ADMIN - DEFERRED COMP, Exported 3/2/2022 11:47:34 AM

| Category | Desc | Cumulative % | L01 | Work Program | Actual | Budget Balance | Projection | Actual Plus Projection | Projected Budget Balance |
|---|---|---|---|---|---|---|---|---|---|
| 00 | 3849 ADMINISTRATION CHARGE | | 361,037 | 361,037 | 225,000.00 | 136,037.00 | 136,037.00 | 361,037.00 | - |
| 00 | 4203 PRIOR YEAR REFUND | | 0 | 0 | - | - | - | - | - |
| 00 | 4326 TREASURER'S INTEREST DISTRIBUTION | | 1,051 | 1,051 | 226.37 | 824.63 | 824.63 | 1,051.00 | - |
| Total Rev | | | 362,088 | 362,088 | 225,226.37 | 136,861.63 | 136,861.63 | 362,088.00 | - |
| | | | | | | | | | |
| 01 | PERS SERVICE | 0.00% | 206,996 | 206,996 | 116,022.85 | 90,973.15 | 80,829.31 | 196,852.16 | 10,143.84 |
| 02 | OUT ST TRAV | 100.00% | 0 | 3,666 | - | 3,666.00 | 3,666.00 | 3,666.00 | - |
| 03 | IN ST TRAV | 295.24% | 987 | 3,901 | 147.97 | 3,753.03 | 3,752.80 | 3,900.77 | 0.23 |
| 04 | OPERATING | 0.00% | 122,055 | 122,055 | 64,027.43 | 58,027.57 | 57,679.11 | 121,706.54 | 348.46 |
| 26 | INFO SVCS | 43.72% | 5,048 | 7,255 | 5,599.54 | 1,655.46 | 1,655.46 | 7,255.00 | - |
| 30 | TRAINING | 0.00% | 8,957 | 8,957 | 2,400.00 | 6,557.00 | - | 2,400.00 | 6,557.00 |
| 82 | ADM CST ALLO | 0.00% | 27,566 | 27,566 | 20,674.50 | 6,891.50 | 6,891.50 | 27,566.00 | - |
| 87 | PURCH ASMNT | 0.00% | 134 | 134 | 100.50 | 33.50 | 33.50 | 134.00 | - |
| 88 | SWCAP | 0.00% | 7,462 | 7,462 | 3,731.00 | 3,731.00 | 3,731.00 | 7,462.00 | - |
| 89 | AG COST ALLO | 100.00% | 0 | 0 | - | - | - | - | - |
| Total Exp | | | 379,205 | 387,992 | 212,703.79 | 175,288.21 | 158,238.68 | 370,942.47 | 17,049.53 |
| | | | | | | | | | |
| | Operating Income | | -17,117 | -25,904 | 12,522.58 | (38,426.58) | (21,377.05) | (8,854.47) | (17,049.53) |
| | Beg Net Assets | | 103,938 | 74,758 | 74,758.00 | - | - | 74,758.00 | - |
| | End Net Assets | | 86,821 | 48,854 | 87,280.58 | (38,426.58) | (21,377.05) | 65,903.53 | (17,049.53) |
| | Days Exp in Ending Rsv | | 0 | 45 | - | - | - | 63.96 | - |

FY 2022, BA 1017 ADMIN - DEFERRED COMP, Exported 3/2/2022 11:47:34 AM
Cat 01 PERS SERVICE, Exported 3/2/2022 11:47:34 AM

| GL | Desc | Work Program | Actual | Budget Balance | Projection | Actual Plus Projection | Projected Budget Balance |
|---|---|---|---|---|---|---|---|
| 5100 | SALARIES | 145,112 | 73,109.22 | 72,002.78 | 52,372.72 | 125,481.94 | 19,630.06 |
| 5200 | WORKERS COMPENSATION | 1,516 | 813.32 | 702.68 | 702.68 | 1,516.00 | - |
| 5300 | RETIREMENT | 36,193 | 17,154.69 | 19,038.31 | 10,964.31 | 28,119.00 | 8,074.00 |
| 5301 | RET EE/ER | 0 | 4,137.30 | (4,137.30) | 2,112.70 | 6,250.00 | (6,250.00) |
| 5400 | PERSONNEL ASSESSMENT | 548 | 274.00 | 274.00 | 274.00 | 548.00 | - |
| 5420 | CB ASSESSMNT | 6 | 6.00 | - | - | 6.00 | - |
| 5430 | LABOR ASSMT | 49 | 49.00 | - | - | 49.00 | - |
| 5500 | GROUP INSURANCE | 17,448 | 5,816.00 | 11,632.00 | 11,632.00 | 17,448.00 | - |
| 5610 | SICK LEAVE | 0 | 1,498.06 | (1,498.06) | - | 1,498.06 | (1,498.06) |
| 5620 | ANNUAL LEAVE | 0 | 9,812.16 | (9,812.16) | - | 9,812.16 | (9,812.16) |
| 5700 | PAYROLL ASSESSMENT | 182 | 91.00 | 91.00 | 91.00 | 182.00 | - |
| 5750 | RETIRED EMPLOYEES GROUP INSURANCE | 3,148 | 1,831.84 | 1,316.16 | 1,316.16 | 3,148.00 | - |
| 5800 | UNEMPLOYMENT COMPENSATION | 210 | 124.97 | 85.03 | 85.03 | 210.00 | - |
| 5840 | MEDICARE | 2,104 | 1,145.29 | 958.71 | 958.71 | 2,104.00 | - |
| 5860 | BOARD AND COMMISSION PAY | 480 | 160.00 | 320.00 | 320.00 | 480.00 | - |
| 5901 | PAYROLL ADJUSTMENT | 0 | - | - | - | - | - |
| 5960 | TERMINAL SICK LEAVE PAY | 0 | - | - | - | - | - |
| 5970 | TERMINAL ANNUAL LEAVE PAY | 0 | - | - | - | - | - |
| Total | | 206,996 | 116,022.85 | 90,973.15 | 80,829.31 | 196,852.16 | 10,143.84 |

FY 2022, BA 1017 ADMIN - DEFERRED COMP, Exported 3/2/2022 11:47:34 AM
Cat 02 OUT ST TRAV, Exported 3/2/2022 11:47:34 AM

| GL | Desc | Work Program | Actual | Budget Balance | Projection | Actual Plus Projection | Projected Budget Balance |
|---|---|---|---|---|---|---|---|
| 6100 | PER DIEM OUT-OF-STATE | 2,040 | - | 2,040.00 | 2,040.00 | 2,040.00 | - |
| 6130 | PUBLIC TRANS OUT-OF-STATE | 160 | - | 160.00 | 160.00 | 160.00 | - |
| 6140 | PERSONAL VEHICLE OUT-OF-STATE | 112 | - | 112.00 | 112.00 | 112.00 | - |
| 6150 | COMM AIR TRANS OUT-OF-STATE | 1,354 | - | 1,354.00 | 1,354.00 | 1,354.00 | - |
| Total | | 3,666 | - | 3,666.00 | 3,666.00 | 3,666.00 | - |

FY 2022, BA 1017 ADMIN - DEFERRED COMP, Exported 3/2/2022 11:47:34 AM
Cat 03 IN ST TRAV, Exported 3/2/2022 11:47:34 AM

| GL | Desc | Work Program | Actual | Budget Balance | Projection | Actual Plus Projection | Projected Budget Balance |
|---|---|---|---|---|---|---|---|
| 6001 | OTHER TRAVEL EXPENSES | 2,914 | - | 2,914.00 | - | - | 2,914.00 |
| 6200 | PER DIEM IN-STATE | 281 | - | 281.00 | 1,458.39 | 1,458.39 | (1,177.39) |
| 6210 | FS DAILY RENTAL IN-STATE | 347 | - | 347.00 | 1,062.44 | 1,062.44 | (715.44) |
| 6215 | NON-FS VEHICLE RENTAL IN-STATE | 46 | - | 46.00 | - | - | 46.00 |
| 6230 | PUBLIC TRANSPORTATION IN-STATE | 12 | - | 12.00 | - | - | 12.00 |
| 6240 | PERSONAL VEHICLE IN-STATE | 35 | - | 35.00 | 258.10 | 258.10 | (223.10) |
| 6250 | COMM AIR TRANS IN-STATE | 266 | 147.97 | 118.03 | 973.87 | 1,121.84 | (855.84) |
| Total | | 3,901 | 147.97 | 3,753.03 | 3,752.80 | 3,900.77 | 0.23 |

FY 2022, BA 1017 ADMIN - DEFERRED COMP, Exported 3/2/2022 11:47:34 AM
Cat 04 OPERATING, Exported 3/2/2022 11:47:34 AM

| GL | Desc | Work Program | Actual | Budget Balance | Projection | Actual Plus Projection | Projected Budget Balance |
|---|---|---|---|---|---|---|---|
| 7020 | OPERATING SUPPLIES | 111 | 30.79 | 80.21 | 80.21 | 111.00 | - |
| 7026 | OPERATING SUPPLIES - PAPER | 113 | 55.22 | 57.78 | 57.78 | 113.00 | - |
| 7045 | STATE PRINTING CHARGES | 0 | - | - | - | - | - |
| 7050 | EMPLOYEE BOND INSURANCE | 6 | 6.00 | - | - | 6.00 | - |
| 7051 | B&G - PROP. & CONT. INSURANCE | 61 | 61.00 | - | - | 61.00 | - |
| 7054 | AG TORT CLAIM ASSESSMENT | 171 | 170.80 | 0.20 | 0.20 | 171.00 | - |
| 7060 | CONTRACTS - TEMP HIRE STATEWIDE | 16,472 | 15,022.57 | 1,449.43 | 7,522.35 | 22,544.92 | (6,072.92) |
| 7063 | CONTRACTS - COMPLIANCE AUDIT | 0 | - | - | - | - | - |
| 7065 | CONTRACTS - HYAS GROUP & CASEY NEILON | 96,750 | 45,000.00 | 51,750.00 | 46,000.00 | 91,000.00 | 5,750.00 |
| 7100 | STATE OWNED BLDG RENT-B&G | 3,736 | 934.00 | 2,802.00 | 2,802.00 | 3,736.00 | - |
| 7103 | STATE OWNED MEETING ROOM RENT | 0 | - | - | - | - | - |
| 7285 | POSTAGE - STATE MAILROOM | 852 | 95.66 | 756.34 | 133.92 | 229.58 | 622.42 |
| 7286 | MAILSTOP - STATE MAILROOM | 2,457 | 2,457.00 | - | - | 2,457.00 | - |
| 7289 | EITS PHONE LINE AND VOICEMAIL | 262 | 153.09 | 108.91 | 109.35 | 262.44 | (0.44) |
| 7291 | CELL PHONE/PAGER CHARGES | 0 | - | - | 294.00 | 294.00 | (294.00) |
| 7294 | CONFERENCE CALL CHARGES | 309 | - | 309.00 | - | - | 309.00 |
| 7296 | EITS LONG DISTANCE CHARGES | 155 | 41.30 | 113.70 | 79.30 | 120.60 | 34.40 |
| 7301 | MEMBERSHIP DUES | 600 | - | 600.00 | 600.00 | 600.00 | - |
| 7302 | REGISTRATION FEES | 0 | - | - | - | - | - |
| 7330 | SPECIAL REPORT SERVICES AND FEES | 0 | - | - | - | - | - |
| 7430 | PROFESSIONAL SERVICES | 0 | - | - | - | - | - |
| 7460 | EQUIPMENT < $1,000 | 0 | - | - | - | - | - |
| Total | | 122,055 | 64,027.43 | 58,027.57 | 57,679.11 | 121,706.54 | 348.46 |

FY 2022, BA 1017 ADMIN - DEFERRED COMP, Exported 3/2/2022 11:47:34 AM
Cat 26 INFO SVCS, Exported 3/2/2022 11:47:34 AM

| GL | Desc | Work Program | Actual | Budget Balance | Projection | Actual Plus Projection | Projected Budget Balance |
|---|---|---|---|---|---|---|---|
| 7026 | OPERATING SUPPLIES - TONER | 854 | 470.23 | 383.77 | 383.77 | 854.00 | - |
| 7073 | SOFTWARE MAINTENANCE | 334 | 333.18 | 0.82 | 0.82 | 334.00 | - |
| 7460 | EQUIPMENT PURCHASES <$1,000 | 0 | - | - | - | - | - |
| 7510 | EITS PROGRAMMER/DEVELOPER | 0 | - | - | - | - | - |
| 7532 | EITS WEB HOSTING | 710 | 414.40 | 295.60 | 295.60 | 710.00 | - |
| 7542 | EITS SILVERNET ACCESS | 1,200 | 900.00 | 300.00 | 300.00 | 1,200.00 | - |
| 7547 | EITS PRODUCTIVITY SUITE | 1,127 | 657.51 | 469.49 | 469.49 | 1,127.00 | - |
| 7554 | EITS INFRASTRUCTURE ASSESSMENT | 632 | 473.97 | 158.03 | 158.03 | 632.00 | - |
| 7556 | EITS SECURITY ASSESSMENT | 191 | 143.25 | 47.75 | 47.75 | 191.00 | - |
| 8371 | COMPUTER HARDWARE <$5,000 | 2,207 | 2,207.00 | - | - | 2,207.00 | - |
| Total | | 7,255 | 5,599.54 | 1,655.46 | 1,655.46 | 7,255.00 | - |

FY 2022, BA 1017 ADMIN - DEFERRED COMP, Exported 3/2/2022 11:47:34 AM
Cat 30 TRAINING, Exported 3/2/2022 11:47:34 AM

| GL | Desc | Work Program | Actual | Budget Balance | Projection | Actual Plus Projection | Projected Budget Balance |
|---|---|---|---|---|---|---|---|
| 6100 | PER DIEM OUT-OF-STATE | 4,621 | - | 4,621.00 | - | - | 4,621.00 |
| 6130 | PUBLIC TRANSPORT OUT-OF-STATE | 394 | - | 394.00 | - | - | 394.00 |
| 6140 | PERSONAL VEHICLE OUT-OF-STATE | 292 | - | 292.00 | - | - | 292.00 |
| 6150 | CMM AIR OOS | 1,250 | - | 1,250.00 | - | - | 1,250.00 |
| 7300 | DUES AND REGISTRATION | 0 | - | - | - | - | - |
| 7302 | REGISTRATION FEES | 2,400 | 2,400.00 | - | - | 2,400.00 | - |
| Total | | 8,957 | 2,400.00 | 6,557.00 | - | 2,400.00 | 6,557.00 |

FY 2022, BA 1017 ADMIN - DEFERRED COMP, Exported 3/2/2022 11:47:34 AM
Cat 82 ADM CST ALLO, Exported 3/2/2022 11:47:34 AM

| GL | Desc | Work Program | Actual | Budget Balance | Projection | Actual Plus Projection | Projected Budget Balance |
|---|---|---|---|---|---|---|---|
| 7389 | 16-17 CENTRALIZED PERSONNEL SERVICES COST ALLOC | 748 | 561.00 | 187.00 | 187.00 | 748.00 | - |
| 7398 | DIRECTOR'S COST ALLOCATION | 2,279 | 1,709.25 | 569.75 | 569.75 | 2,279.00 | - |
| 7439 | DEPT OF ADMIN - ADMIN SER DIV | 23,056 | 17,292.00 | 5,764.00 | 5,764.00 | 23,056.00 | - |
| 7506 | EITS PC/LAN SUPPORT | 1,483 | 1,112.25 | 370.75 | 370.75 | 1,483.00 | - |
| Total | | 27,566 | 20,674.50 | 6,891.50 | 6,891.50 | 27,566.00 | - |

FY 2022, BA 1017 ADMIN - DEFERRED COMP, Exported 3/2/2022 11:47:34 AM
Cat 87 PURCH ASMNT, Exported 3/2/2022 11:47:34 AM

| GL | Desc | Work Program | Actual | Budget Balance | Projection | Actual Plus Projection | Projected Budget Balance |
|---|---|---|---|---|---|---|---|
| 7393 | PURCHASING ASSESSMENT | 134 | 100.50 | 33.50 | 33.50 | 134.00 | - |
| Total | | 134 | 100.50 | 33.50 | 33.50 | 134.00 | - |

FY 2022, BA 1017 ADMIN - DEFERRED COMP, Exported 3/2/2022 11:47:34 AM
Cat 88 SWCAP, Exported 3/2/2022 11:47:34 AM

| GL | Desc | Work Program | Actual | Budget Balance | Projection | Actual Plus Projection | Projected Budget Balance |
|---|---|---|---|---|---|---|---|
| 7384 | STATEWIDE COST ALLOCATION PLAN | 7,462 | 3,731.00 | 3,731.00 | 3,731.00 | 7,462.00 | - |
| Total | | 7,462 | 3,731.00 | 3,731.00 | 3,731.00 | 7,462.00 | - |

FY 2022, BA 1017 ADMIN - DEFERRED COMP, Exported 3/2/2022 11:47:34 AM
Cat 89 AG COST ALLO, Exported 3/2/2022 11:47:34 AM

| 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 |
|---|---|---|---|---|
| 2/2/2021 | Voya Fixed Account | Reimbursement | $ 500.00 | January 2021 - Loan Fee Reimbursement of $25.00 Per Loan Issued (20 Loans) |
| 3/2/2021 | Voya Fixed Account | Reimbursement | $ 400.00 | February 2021 - Loan Fee Reimbursement of $25.00 Per Loan Issued (16 Loans) |
| 4/5/2021 | Voya Fixed Account | Reimbursement | $ 650.00 | March 2021 - Loan Fee Reimbursement of $25.00 Per Loan Issued (26 Loans) |
| 4/6/2021 | Voya Fixed Account | Reimbursement | $ 95,265.90 | 1st Q 2021 Reimbursement |
| 5/5/2021 | Voya Fixed Account | Reimbursement | $ 575.00 | April 2021 - Loan Fee Reimbursement of $25.00 Per Loan Issued (23 Loans) |
| 5/14/2021 | Voya Fixed Account | Fee Paid | $ 125,000.00 | INVOICE #NDCQ03-21 |
| 6/3/2021 | Voya Fixed Account | Reimbursement | $ 325.00 | May 2021 - Loan Fee Reimbursement of $25.00 per Loan Issued (13 Loans) |
| 7/1/2021 | Voya Fixed Account | Reimbursement | $ 375.00 | June 2021 - Loan Fee Reimburesement of $25 per Loan Issued (15 Loans) |
| 7/6/2021 | Voya Fixed Account | Reimbursement | $ 95,543.06 | 2nd Q 2021 Reimbursement |
| 8/4/2021 | Voya Fixed Account | Reimbursement | $ 675.00 | July 2021 - Loan Fee Reimbursement of $25.00 per Loan Issued (27 Loans) |
| 9/3/2021 | Voya Fixed Account | Reimbursement | $ 525.00 | August 2021 - Loan Fee Reimbursement of $25.00 per Loan Issued (21 Loans) |
| 10/4/2021 | Voya Fixed Account | Reimbursement | $ 475.00 | September 2021 - Loan Fee Reimbursement of $25.00 per Loan Issued (19 Loans) |
| 10/5/2021 | Voya Fixed Account | Reimbursement | $ 95,187.12 | 3rd Q 2021 Reimbursement |
| 10/7/2021 | Voya Fixed Account | Fee Paid | $ 89,000.00 | INVOICE #NDCQ01-22 |
| 11/3/2021 | Voya Fixed Account | Reimbursement | $ 550.00 | October 2021 - Loan Fee Reimbursement of $25.00 per Loan Issues (22 Loans) |
| 12/2/2021 | Voya Fixed Account | Reimbursement | $ 500.00 | November 2021 - Loan Fee Reimbursement of $25.00 per Loan Issues (20 Loans) |
| 1/4/2022 | Voya Fixed Account | Reimbursement | $ 675.00 | December 2021 - Loan Fee Reimbursement of $25.00 per Loan Issues (27 Loans) |
| 1/5/2022 | Voya Fixed Account | Reimbursement | $ 96,136.16 | 4th Q 2021 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 as of 12/31/2021 is 3.10%**
**1st Q 2018 Interest Cedited - $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**
**1st Q 2021 Interest Credicted - $1,333.51**
**2nd Q 2021 Interest Credited - $1,368.22**
**3rd Q 2021 Interest Credited - $1,675.55**
**4th Q 2021 Interest Credited - $1,809.26**

**Balance as of 2/14/2022 - $233,180.10**

VOYA FINANCIAL

## 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 |
| 4/6/2021 | Voya Fixed Account | Reimbursement | $ 5,780.68 | 1st Q 2021 Reimbursement |
| 7/6/2021 | Voya Fixed Account | Reimbursement | $ 5,995.28 | 2nd Q 2021 Reimbursement |
| 10/5/2021 | Voya Fixed Account | Reimbursement | $ 6,236.85 | 3rd Q 2021 Reimbursement |
| 10/7/2021 | Voya Fixed Account | Fee Paid | $ 36,000.00 | INVOICE #NDCQ01-22 |
| 1/5/2022 | Voya Fixed Account | Reimbursement | $ 6,322.22 | 4th Q 2021 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 Cedited $2.61**
**2nd Q 2020 Interest Cedited $34.01**
**3rd Q 2020 Interest Credited $69.37**
**4th Q 2020 Interest Credited $105.02**
**1st Q 2021 Interest Cedited $134.24**
**2nd Q 2021 Interest Credited $168.30**
**3rd Q 2021 Interest Credited $162.06**
**4th Q 2021 Interest Credited $54.26**

**Balance as of 2/14/2022 $13,652.02**

# State of Nevada Deferred Compensation Plan Quarterly Fee Report

| 4th Quarter 2021 Fees | 625031 | 625032 | 625033 | Totals |
|---|---|---|---|---|
| # of Accounts as of 12/31/2021 | 11841 | 3589 | 1182 | 16612 |
| # of Accounts Valued over $1,000 as of 12/31/2021 | 10913 | 3325 | 1008 | 15246 |
| # of Accounts Valued under $1,000 as of 12/31/2021 | 928 | 264 | 174 | 1366 |
| | | | | |
| 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 12/31/2021 | $ 111,858.25 | $ 34,081.25 | $ 10,332.00 | $ 156,271.50 |
| | | | | |
| Nevada Fee Reimbursement | $ 72,353.19 | $ 22,044.75 | $ 6,683.04 | $ 101,080.98 |
| Less Voya Portion due for accounts less than $1,000 | $ 3,359.36 | $ 955.68 | $ 629.88 | $ 4,944.92 |
| Nevada Total Reimbursement | $ 68,993.83 | $ 21,089.07 | $ 6,053.16 | $ 96,136.06 |
| | | | | |
| Voya Fee | $ 42,864.42 | $ 12,992.18 | $ 4,278.84 | $ 60,135.44 |

# State of Nevada FICA Alternative Quarterly Fee Report

| | | |
|---|---|---|
| **4th Quarter 2021 Fees** | | **625030** |
| **# of Accounts as of 12/31/2021** | | 31648 |
| **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 12/31/20211** | $ | 17,386.10 |
| **Nevada Fee Portion** | $ | 6,322.22 |
| **Voya Fee Portion** | $ | 11,063.88 |

**Deferred Compensation Program**
**Legislative Approved Budget Plus Adjustments (Adjusted Amounts in Bold)**
**Fiscal Years 2021-2022 and FY 2022-23**

| Revenue/Expense | FY 2021-2022 | Comments | FY 2022-23 | Comments |
|---|---|---|---|---|
| Revenues | | | Revenues | |
| Balance Forward | **$74,758** | Updated Balance Forward Estimate | **$76,000** | Leg App Bal Forward |
| Admin Charge (Actual) | **$361,037** | (Projected for FY2023)-----→ | **$400,985** | NDC Vol. Plan Annual Revenue Projection: 15246 participants X $26.50 = **$404,019** |
| Interest Earned | $1,051 | | $1,051 | FICA Alt. Annual Revenue Projection = 31,648 participants X $.80 = **$24,962** |
| Total Revenue | $436,846 | | $478,036 | |
| | | | | |
| Expenses | | | Expenses | |
| Salaries | $206,996 | | **$208,993** | |
| O/S Travel | $3,666 | **W/P Est. for NAGDCA DC Fly-In** | $0 | Transitioned authority to Training Category 30 in 2019 |
| In-State Travel | $3,901 | **W/P Est. for Inc. In-State Travel** | $987 | **We are in the process of completing a WP for more Authority to accommodate Board and Staff Travel** |
| Operating | **$122,055** | **W/P Est. for new cell phones** | **$131,244** | |
| Information Services | $5,048 | **W/P Est for new Lap Top** | $8,328 | |
| Training | $8,957 | | $8,957 | includes all of the items previously in CAT 02 |
| Dept Cost Allocation | $27,566 | | $27,566 | |
| Purchasing Assess | $134 | | $7,536 | |
| Statewide Cost Allocation | $7,462 | | $5,194 | |
| AG Cost Allocation | $0 | | $2,015 | |
| Sub-total | $385,785 | | $400,820 | Projected Admin. Expense W/ Proposed Budget Cuts/Increases |
| | | | | |
| Reserve | $65,904 | **WP- Adj. Leg. Approved Bal. Fwd.** | $81,156 | **Est.- Adj. Leg. Approved Bal. Fwd.** |
| | | | | |
| Total Expense + Reserve | $451,689 | | $481,976 | |
| | | | | |
| Estimated Impact on reserve | ($14,843) | **Total Revenue - Total Expense/Reserve** | ($3,940) | Total Revenue - Total Expense/Reserve |

| Impact on Reserve Balance at End of Biennium | FY2022 | FY 2023 | |
|---|---|---|---|
| Est Reserve in Budget Account - FY 2022-23 | $65,904 | **$81,156** | Row 27- Reserve proj. for corresponding FY |
| Est Balance in Voya Admin Account - as of 12/31/2021 | $136,369 | $126,044 | Based on current Participant projection listed in (I9) or future participant accounts being charged throughout Biennium |
| Est Total Reserve Balance at 12/31/2021 and est. 2022/2023 | $202,273 | $207,200 | |
| % reserve to annual expenses | 52.43% | 51.69% | |
| Days of reserve available | 191 days | 189 days | 365 Days X % reserve to annual expenses |

**Admin Revenues in Voya Accounts**

| | |
|---|---|
| Balance as of 02/14/2022- Voluntary Plan & FICA Plan Combined | **$246,832** |
| **NDC Vonuntary Plan Balance:** | $233,180 |
| **NDC FICA Plan Balance:** | $13,652 |

**Recap - FY 2022-23**

| | FY2022 | FY2023 |
|---|---|---|
| Ongoing Revenues | $362,088 | $402,036 |
| Ongoing Expenses | $385,785 | $400,820 |
| Revenue Over/(Under) Expense | **($23,697)** | **$1,216** |

| Total 2022 Enrollments | | | | Enrollment Comparison | |
|---|---|---|---|---|---|
| | EZ Enrollment | Enroll By Internet | Total | 2020 Total | Difference |
| Jan | 50 | 25 | 75 | 153 | -78 |
| Feb | 0 | 0 | 0 | 129 | -129 |
| Mar | 0 | 0 | 0 | 62 | -62 |
| **Q1** | **50** | **25** | **75** | **344** | **-269** |
| **YTD** | **50** | **25** | **75** | **344** | **-269** |
| Apr | 0 | 0 | 0 | 47 | -47 |
| May | 0 | 0 | 0 | 53 | -53 |
| Jun | 0 | 0 | 0 | 50 | -50 |
| **Q2** | **0** | **0** | **0** | **150** | **-150** |
| **YTD** | **50** | **25** | **75** | **494** | **-419** |
| Jul | 0 | 0 | 0 | 44 | -44 |
| Aug | 0 | 0 | 0 | 59 | -59 |
| Sep | 0 | 0 | 0 | 34 | -34 |
| **Q3** | **0** | **0** | **0** | **137** | **-137** |
| **YTD** | **50** | **25** | **75** | **631** | **-556** |
| Oct | 0 | 0 | 0 | 53 | -53 |
| Nov | 0 | 0 | 0 | 58 | -58 |
| Dec | 0 | 0 | 0 | 58 | -58 |
| **Q4** | **0** | **0** | **0** | **169** | **-169** |
| **Total** | **50** | **25** | **75** | **800** | **-725** |

| Enrollment Breakdown | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| State | EZ Enrollment | Enroll By Internet | Total | Political Subdivision | EZ Enrollment | Enroll by Internet | Total | NSHE | EZ Enrollment | Enroll by Workday/Online | Total |
| Jan | 35 | 9 | 44 | Jan | 13 | 2 | 15 | Jan | 2 | 14 | 16 |
| Feb | 0 | 0 | 0 | Feb | 0 | 0 | 0 | Feb | 0 | 0 | 0 |
| Mar | 0 | 0 | 0 | Mar | 0 | 0 | 0 | Mar | 0 | 0 | 0 |
| **1st Qtr** | **35** | **9** | **44** | **1st Qtr** | **13** | **2** | **15** | **1st Qtr** | **2** | **14** | **16** |
| **YTD** | **35** | **9** | **44** | **YTD** | **13** | **2** | **15** | **YTD** | **2** | **14** | **16** |
| Apr | 0 | 0 | 0 | Apr | 0 | 0 | 0 | Apr | 0 | 0 | 0 |
| May | 0 | 0 | 0 | May | 0 | 0 | 0 | May | 0 | 0 | 0 |
| Jun | 0 | 0 | 0 | Jun | 0 | 0 | 0 | Jun | 0 | 0 | 0 |
| **2nd Qtr** | **0** | **0** | **0** | **2nd Qtr** | **0** | **0** | **0** | **2nd Qtr** | **0** | **0** | **0** |
| **YTD** | **35** | **9** | **44** | **YTD** | **13** | **2** | **15** | **YTD** | **2** | **14** | **16** |
| Jul | 0 | 0 | 0 | Jul | 0 | 0 | 0 | Jul | 0 | 0 | 0 |
| Aug | 0 | 0 | 0 | Aug | 0 | 0 | 0 | Aug | 0 | 0 | 0 |
| Sep | 0 | 0 | 0 | Sep | 0 | 0 | 0 | Sep | 0 | 0 | 0 |
| **3rd Qtr** | **0** | **0** | **0** | **3rd Qtr** | **0** | **0** | **0** | **3rd Qtr** | **0** | **0** | **0** |
| **YTD** | **35** | **9** | **44** | **YTD** | **13** | **2** | **15** | **YTD** | **2** | **14** | **16** |
| Oct | 0 | 0 | 0 | Oct | 0 | 0 | 0 | Oct | 0 | 0 | 0 |
| Nov | 0 | 0 | 0 | Nov | 0 | 0 | 0 | Nov | 0 | 0 | 0 |
| Dec | 0 | 0 | 0 | Dec | 0 | 0 | 0 | Dec | 0 | 0 | 0 |
| **4rd Qtr** | **0** | **0** | **0** | **4rd Qtr** | **0** | **0** | **0** | **4rd Qtr** | **0** | **0** | **0** |
| **Total** | **35** | **9** | **44** | **Total** | **13** | **2** | **15** | **Total** | **2** | **14** | **16** |

# Unforseen Emergencies

| 2022 | 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 | 11 | 9 | $ 41,088.29 | 1 | 1 | $ 80.00 | 0 | 0 | $ - | 12 | 10 | $ 41,168.29 |
| February | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - |
| March | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - |
| April | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - |
| May | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - |
| June | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - |
| July | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - |
| August | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - |
| September | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - |
| October | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - |
| November | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - |
| December | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - |
| **Total** | **11** | **9** | **$ 41,088.29** | **1** | **1** | **$ 80.00** | **0** | **0** | **$ -** | **12** | **10** | **$ 41,168.29** |

# State of Nevada Loans

| 2022 | 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 | Residental | | | | | | | | | | |
| January | 17 | 0 | $ 155,982.93 | 14 | 528 | $ 3,365,021.12 | $ 174,435.38 | $ 13,075.47 | 7 | $ 38,108.12 | 0 | $ - |
| February | 0 | 0 | $ - | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| March | 0 | 0 | $ - | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| April | 0 | 0 | $ - | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| May | 0 | 0 | $ - | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| June | 0 | 0 | $ - | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| July | 0 | 0 | $ - | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| August | 0 | 0 | $ - | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| September | 0 | 0 | $ - | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| October | 0 | 0 | $ - | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| November | 0 | 0 | $ - | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| December | 0 | 0 | $ - | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| **YTD Total** | **17** | **0** | **$ 155,982.93** | **14** | | | **$ 174,435.38** | **$ 13,075.47** | **7** | **$ 38,108.12** | **0** | **$ -** |

| Loan Totals Since Inception | Loans Issued | General | Residental | Total Dollars Dispersed | Loans Paid In Full | Principal Paid | Interest Paid | # Loans in Default | Loan $ in Default | # Loans Deemed | Loan $ Deemed |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **1,635** | **1,566** | **69** | **$ 14,355,992.29** | **763** | **$ 6,795,384.00** | **$ 1,014,552.83** | **483** | **$ 2,947,214.09** | **199** | **$ 1,250,010.46** |

| | Loans Issued | General | Residental | 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

| 2022 | Loans Paid In Full | Loans Outstanding | Outstanding Balance | Principal Paid | Interest Paid | # Loans in Default | Loans $ in Default | # Loans Deemed | Loan $ Deemed |
|---|---|---|---|---|---|---|---|---|---|
| January | 0 | 4 | $ 27,469.88 | $ 1,350.27 | $ 153.13 | 0 | $ - | 0 | $ - |
| February | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| March | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| April | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| May | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| June | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| July | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| August | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| September | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| October | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| November | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| December | 0 | 0 | $ - | $ - | $ - | 0 | $ - | 0 | $ - |
| **YTD Total** | **0** | | | **$ 1,350.27** | **$ 153.13** | **0** | **$ -** | **0** | **$ -** |

# VENDOR RATING WORKSHEET

**Agency Name: Nevada Deferred Compensation** **Vendor: Hyas Group**

**Contract Monitor/Rater: Rob Boehmer** **Date of Rating: 03/02/2022**

**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- (2.20) | |
| Timeliness | | X- (2.20) | |
| Quality | | X- (2.10) | |
| Technology | | X- (2.00) | |
| Flexibility | | X- (2.15) | |
| Pricing | | X- (2.25) | |

**OVERALL RATING: 2.15- STANDARD**

**Any rating other than standard requires explanation and documentation.**

**COMMENTS:**
**This is the send evaluation period of a five-year contract that the State has with the Hyas Group. It should be noted that the Hyas group was acquired by Morgan Stanley in 2021, but the consultant team in place was guaranteed to remain during the duration of the contract period. The Hyas Group name continues to be maintained and all necessary and required changes and contract assignment requirements have been executed in accordance with directions received by the State Purchasing Division and Administrative Services Division of the Department of Administration. The NDC Committee was immediately made aware of this acquisition and has been updated accordingly. Hyas Group continues to maintain 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, Executive Officer, and/or Administrative Staff. Hyas Group has met or exceeds 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 continues to regularly meet or exceed 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 in the contract period, and encourages 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:** 03/02/2022

**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- (1.75) | |
| Timeliness | | X- (2.00) | |
| Quality | | X- (1.80) | |
| Technology | | X- (1.95) | |
| Flexibility | | X- (2.10) | |
| Pricing | | X- (2.25) | |

**OVERALL RATING:** **1.975- 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 decrease in the Standard range of evaluation from the previous two years of the contract period. It should be noted that the transition to Voya's new recordkeeping platform per the contract was executed and the transition complete in 2020. NDC and Voya Staff continue to field a number of issues brought to Administrative Staff attention by program participants throughout this contract period, but the number of complaints are still within the lower end of the Standard rating range. Although 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), we encourage Voya to continue addressing issues and complaints using their establish Operating Procedures and policies. Voya Financial continues to provide a timely degree of responsiveness in addressing any problems or issues that Voya is directly responsible for, and continues develop and implement successful action plans on all issues or problems. 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/or lessen the likelihood of 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 service which removes any control that Voya has with making corrections that may be needed between calendar tax years. We did experience situations this year with Required Minimum Distributions (RMD's) and scheduled distributions being calculated incorrectly on a significant number of Program participants, but the issues were recognized by Voya through a regular audit requested given the issues we experienced in 2020, and an aggressive action plan was executed where we directly communicated and reached out to all affected participants to provide an increased level of customer service and direction; this proved to be very successful. The Executive Officer has implemented a quarterly coordination meeting with the Voya Client Relations Manager and the Voya Call Center Administration to regularly present, review, discuss, and appropriately manage any future customer service issues. With implementation of these internal controls/policies, Voya continues to maintain the Customer Services Category at the lowest end of the standard rating scale for this evaluation period. 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 or maintain 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 use 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

**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)**.


State of Nevada Public Employees'
Deferred Compensation Program
**Business Plan for Opt-Out Auto Enrollment**

Nevada Deferred Compensation

# **NV** your retirement

| | |
|---|---|
| **Department** | Administration |
| **Budget Account** | 1017 |
| **Budget Title** | Deferred Compensation |
| **Date Prepared** | August 01, 2022 |
| **Submitted by** | Robert Boehmer, Executive Officer |
| **Program Title** | Opt-Out W/Auto Features |

# TABLE OF CONTENTS

## Introduction

The Nevada Public Employees’ Deferred Compensation Program (NDC) desires to implement an Opt-Out Automatic Enrollment Policy. The NDC Administration has conducted over 7-years of research and compiled data establishing and concluding that government entities across the Country that have executed and implemented an Opt-Out automatic enrollment process within their respective supplemental retirement plans, significantly improve overall financial wellness for individuals and beneficiaries and continues to be proven to support fostering a Child and Family Centered Government now and in the future.

Additionally, in conducting Plan Compliance audits over the past eight-years, the NDC Program received a significant deficiency as it related to our employee engagement in a State Sponsored Retirement Plan. Adopting and executing this Opt-Out Program with automatic enrollment and auto-escalation features will ensure that we are able to attain compliance with governing regulations and adopted Plan governance policies, afford better value to Program participants, and overall increase the financial wellness of the over 55,000+ government employees, their families and beneficiaries across the State.

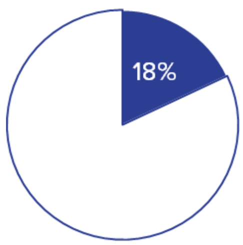
The Governor’s Strategic Priorities of *Expanding Economic Opportunity & Growing a Skilled Workforce* and *Promoting Healthy, Vibrant Communities* are supported significantly through the adoption of this Plan Design change as auto enrollment has proven to increase and enhance the Financial Wellness of individuals and their families allowing them to develop greater financial sustainability and a provident lifestyle of living now and in the future.

## Background

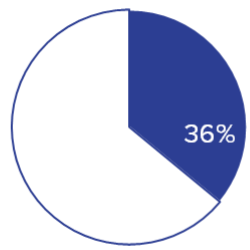
The Nevada Public Employees' Deferred Compensation Program (NDC), a division of the Department of Administration, is a voluntary tax-deferred supplemental state retirement plan (IRC 457(b)), which provides participants and their beneficiaries with a valuable supplement to their Nevada Public Employees Retirement System (NV PERS) pension, Social Security, and any other retirement savings, and operates solely in the interest of plan participants and beneficiaries. The NDC Committee, appointed by the Governor pursuant to NRS 287.325, provides governance and oversight of the investment management and plan design of the program, and strives to provide quality investment options at minimal costs while maintaining high standards of customer service to participating employees across the entire State of Nevada. The NDC's Executive Officer is appointed by and serves at the pleasure of the Director of the Department of Administration.

The NDC Executive Officer and administrative staff serve as the primary support to the NDC Committee and manage the program contractors, communicate with and educate qualified employees on the importance of supplemental savings through seminars, newsletters and other educational efforts, and are responsible for administering the day-to-day operations of the Program in accordance with established state and federal guidelines (NRS 287.250-480 and IRC 457(b)). All program expenses are paid from revenue generated by an established fully transparent fee structure adopted and directed by the NDC Committee and implemented through the program's Executive Officer and contracted record-keeper.

**Participation - 2014**




**Participation - 2022**




Over the past eight years, the NDC Committee and Program Administration has restructured and redesigned the Program to lower operating costs of the program from over $1.2 million down to approximately $600,000 annually. Assets Under Management (AUM) have increased from $512 million in 2014 to approximately $1.2 billion in AUM as of August 2022, and program participation has increased from 18% total participation in 2014 to nearly 38% total participation in 2022. The NDC Committee and Program Administration have worked diligently to regularly evaluate and benchmark its cost structure amending the Program cost from a full asset-based cost structure up to 2015 when the Program consolidated Recordkeeping Services contract from a multi-vendor plan design to a single consolidated vendor. Per NRS 287.330(3)(d), the NDC Program Administration conducted an RFP for Recordkeeping Services and was able to negotiate a hybrid type cost structure of assessing both asset-based costs and per account administrative charge, cutting participant cost nearly in half. Again in 2019, the NDC Program Administration released an RFP solicitation for its Recordkeeping Services contract and was further able to negotiate the current per account Program cost structure to provide Program participants with the most equitable and least expensive fee structure in the entire history of the Program with the average administrative cost to the participant going from near $200.00 per year down to a flat $41 per year ($10.25 quarterly assessment on accounts with a balance over $1000). Additionally, as part of the newly negotiated and executed Recordkeeping Services Contract, the Program Administration was able to negotiate a multitude of service guarantees with the most attractive being a guaranteed interest rate minimum of 3.10% on its Stable Value General Account/ Fixed investment option in years 2020 and 2021, and a guaranteed interest rate minimum of 3.00% in years 2022, 2023, and 2024.

The NDC Program Administration has conducted six-years of research and compiled data establishing and concluding that government entities across the Country that have executed and implemented an automatic enrollment process within their respective supplemental defined contribution retirement plans, significantly improve overall financial wellness for individuals, beneficiaries, and supports fostering a Child and Family Centered Government now and in the future. Additionally, in conducting Plan compliance audits over the past six-years, the NDC Program received a significant deficiency as it related to our employee engagement in a State Sponsored Retirement Plan. Adopting and executing this Opt-Out Automatic Enrollment Policy will ensure that we are able to attain compliance with governing regulations and adopted Plan governance policies.

In 2013, an independent Compliance Audit conducted to measure Plan Compliance to established and adopted Federal, State, and Program Code, regulations, and policies, it was established that the employee engagement process adopted by the NDC Program was significantly deficient. As a result, The Program Administration petitioned the NDC Committee to adopt a Communication and Education Policy that improved Program participation from roughly 18% up to 38% as of the end of calendar year 2021. Although a significant improvement, the NDC Program still falls below the national benchmark established and maintained by the National Association of Government Defined Contribution Administrators (NAGDCA) of 68%[1]. Given this continued deficiency, we feel that implementing this Opt-Out Automatic Enrollment Policy will resolve the Employee Engagement deficiency, increase overall financial wellness, and potentially lower participant administrative fees due to anticipated increased revenue to the NDC Program.

It is a fact that the majority of Government Employees across Nevada will either not qualify for a Social Security Benefit or, if they do qualify, it would likely be reduced due to the Windfall Elimination Provision (WEP) or Government Pension Offset Provision (GPO)[2]. It is proven that many participants in the NDC Program utilize the Program as a way to supplement their NV PERS Pension and fill the Income Gap that is prevalent upon separation from government service either by reaching Retirement age or separating and re-employing in the private, corporate, or federal employment sector.

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[1] 2019 NAGDCA survey

[2] Social Security Administration Windfall Elimination Provision pub.2020; Government Pension Offset pub. May 2019

In conducting nearly eight-years of regular focus group workshops, the four most prevalent complaints points of consideration from employees are:

- I wish someone would have told me about Deferred Compensation when I was first hired;
- I wish I had started my participation in the Deferred Compensation Plan earlier in my career; and
- I wish I had contributed more money or increased my contributions to the Deferred Compensation Program over time.
- Shouldn't participation in this program be set up automatically and allowed to increase every time an employee receives a merit step increase, promotion, etc..

One thing that has never been expressed in all of the focus group workshops or by any participant to date is disdain or regret for starting up and contributing to their State Sponsored Deferred Compensation Program.

Furthermore, more than 90% of those that qualify to purchase service credit in NV PERS utilize their Deferred Compensation plan or other pre-taxed defined contribution plan(s) they may have. There is no negative effect to other Department of Administration (DOA) Divisions or Administrators through the adoption of auto enrollment, rather this provision would aid in developing a more fiscally stable work force within the DOA and State of Nevada as a whole.

For decades, governmental defined contribution plans were viewed as a supplemental savings tool that could be used to pay extraneous expenses in retirement. A defined benefit pension would replace, in some cases, up to 90% of a worker's income in retirement. As the governmental defined benefit plan landscape continues to evolve, more and more responsibility to fund an employee's financial wellness has shifted to employees; we have seen this in our own State as well. Supplemental Defined Contribution programs, such as Nevada Deferred Compensation, can impact whether an individual faces a drastic reduction in income in retirement. When these defined benefit systems were established, the average life span was around 60 years. That number has increased by 30% over the past 60 years to 78 years. According to current mortality tables, men and women who live to age 65 today have a 31% and 40% chance, respectively, of living to age 90. Longer lifetime payouts, coupled with volatile market activity that has featured three major recessions over the past 15 years and a fixed income market that has been providing lower yields since 1980, have placed a tremendous amount of stress on the funding levels of state and local defined benefit systems across the Country.

> According to data compiled by ssa.gov:
>
> **1 in 4** 65-year-old Americans will surpass age 90.
>
> **1 in 10** will live to be age 95.

Many systems have responded by reducing the formulas designed to provide the lifetime payout in retirement in order to improve the health of their systems, or considered significant plan design changes. A National Conference of Public Employee Retirement System (NCPERS) conducted survey concluded that in 2014, 23% of all public pension systems reduced or tiered their benefit formula.

According to the National Conference of State Legislatures, 43 states legislatures enacted significant changes to their retirement systems between the post-recession years of 2009-2011 and that number continues to rise into 2020.[3] These changes Included:

- Higher Employee Contributions
- Longer Vesting/Age Requirements
- Reduced Formulas for New Employees
- Reduced COLAs
- Consideration of a defined contribution hybrid plan to supplement reduced pension benefits

## Business Plan for *NV Your Retirement Opt-Out Auto-Enrollment* Implementation, Impact, and Sustainability

### Implementation

The NDC Program has already began preparing and planning for the potential implementation of Opt-Out Auto Enrollment for all State of Nevada Employees initially, but will make the option available for adoption to the Nevada System of Higher Education and over 65 local government Political Sub-Divisions (County, City, and General Improvement Districts or Governing Boards, etc.) who currently participate in the Program.

The NDC Committee and Program Administration have worked diligently at increasing Financial Wellness for the over 55,000 government employees across the State of Nevada. The NDC Administration continues to work with the State of Nevada Office of Project Management in the implementation and roll-out of SMART 21 developing a robust ADA compliant On-Boarding experience, training platform, and workflow system that would accommodate Opt-Out Auto-Enrollment as well as other voluntary automatic features that employees can illustrate and adopt to ensure they are providing the level of income replacement that they desire in retirement.

[3] National Conference of State Legislators Pension and Retirement Database

### Employee Engagement Process/Compliance Fulfillment

Upon implementation, the NDC Program Administration would develop an extensive wide-spread communication and marketing plan to ensure that all employees are given ample opportunity to opt-out of the auto enrollment feature allowing our team the opportunity to meet employee engagement compliance standards regardless of whether employees stay enrolled in the Program or not. The NDC Administration will be able to develop and maintain a compliance report and database that establishes confirmation of employee engagement and compliance to required communication standards upon initial hire or re-hire of an employee as well as annually throughout an employee's career with the State of Nevada and/or other participating government employers. The SMART 21 HR Interface will afford access to this type of data so that NDC Administration and Staff can maximize efficient workflows and compliance.

NDC proposes development and execution of the required ELIGIBLE AUTOMATIC CONTRIBUTION ARRANGEMENT (EACA) established in the Internal Revenue Code (IRC) through the Pension Protection Act of 2006 (PPA)[4] which directly encourages sponsors of 401(k) plans, 403(b) plans, and governmental section 457(b) plans (like the NDC Plan) to adopt automatic enrollment plan designs to improve Financial wellness outcomes within their respective servicing communities. All communication will be subject to guidelines established in accordance to IRS guidelines requiring that Participant notices must be written in a manner calculated to be understood by the average employee who is subject to the arrangement. These notices must include the following information:

- The level of default elective contributions [of $35.00 per bi-weekly pay period or $70.00 per month] that will be made if the employee does not make an affirmative election;
- The employee's right to make a different deferral election;
- How to make deferral elections, including any administrative requirements that apply;
- The periods available for making deferral elections;
- The type and amount of compensation that may deferred;
- How default contributions will be invested if the employee does not make an investment election;
- The types of employer contributions made under the plan and the eligibility requirements for receiving these contributions;
- The vesting and withdrawal provisions for the various types of plan contributions;

[4] Internal Revenue Code (IRC) 414(w) and ruling 2009-65

- If applicable, the availability of permissible withdrawals and the procedures for requesting one; and
- How to obtain additional information about the plan.

## Financial Assessment

Funding for the NDC Program comes directly from administrative fees assessed on each participant account above $1,000.00 in accumulated assets regardless of how the participant invests. As aforementioned, the current NDC cost structure assesses a flat $10.25 quarterly administrative fee that is collected by the NDC's contracted custodian and Recordkeeper, Voya Financial. All administrative fees collected are deposited quarterly into an administrative account tied to the Stable Value General Account earning the current minimum guaranteed interest crediting rate of 3.10% in 2020 and 2021, and minimum guaranteed interest crediting rate of 3.00% in years 2022, 2023, and 2024. NDC Program Administration withdraws funds from this administrative account as needed to fund the NDC budget revenue and reserve. The implementation of Opt-Out Auto Enrollment is projected to increase participation greater than 80% as reflected in all of the National Automatic Enrollment data collected (See Addendum A- Auto Enrollment Case Study Report).

Staffing for the NDC Program consists of two State Full Time Employees (FTE) and a part-time contracted clerical employee whose primary responsibility is to process all of the enrollment and payroll change forms the Program utilizes amongst its 89+ payroll centers with which we developed processing workflows. Implementation of SMART 21 as well as Opt-Out Automatic Enrollment may decrease our document processing to the point we may be able to decrease the Program's Participant expenses due to increases in participation.

Information Technology and Communication requirements would definitely increase in order to maintain Plan Compliance to Federal and State regulations, but we negotiated all of this within our current 5-year Recordkeeping Services Contract (2020-2024) with Voya Financial so costs are already determined and assessed, and we would include these services and requirements in future RFP solicitations.

## Revenue Impact on Program and Future Biennia

The NDC Program Administration conservatively estimates that this proposed business plan will generate additional revenue in FY2021 and beyond as the number of accounts within the plan grows. This due to the assessment of a Program

Administration fee against all accounts in excess of $1,000. The projection of growth in plan revenue is projected as follows:

| **Extra Admin Fee to State of NV** | **2021** | **2022** | **2023** | **2024** | **2025** |
|---|---|---|---|---|---|
| | $56,322 | $180,783 | $496,807 | $587,610 | $671,611 |

The anticipated increase is estimated by calculations based upon the universe of existing accounts within the state plan, the current number actively contributing accounts and the overall number of eligible employees to be auto enrolled into the plan. Based upon the prior experience of other governmental plans instituting auto enrollment, the NDC Program Administration estimates that approximately 85% of all auto-enrolled employees will not opt-out of the auto enrollment process. This impact includes both existing employees in Year 1 and any newly hired employees over the course of future years. Based on the plan's estimates, this could result in as many as 11,508 or more new plan participants. These numbers are adjustable based upon the date of implementation of an opt-out auto enrollment process and the projected hiring practices of the state at the time.

Estimated
**11,058**
new NDC Plan participants

The revenue estimates above are weighted to the out years due to the intent to auto enroll participants into the plan at the minimum contribution level of $35 per pay period. Although revenue assumptions are made to account for approximately 25% of all new enrollees increasing their contributions above the plan minimum, the likelihood that many do not make such a change will result in the waiver of the programs administration fee on a large number of accounts that remain under the $1,000 threshold for approximately 15 months. As such, the rolling nature of both participant account balances and the resulting revenue have been accounted for in the Program's revenue estimates.

Revenue estimates are also further adjusted for anticipated lapses in accounts within the plan due to retirements and or separation of service from the state as well.

NDC Program Administration is hopeful that this increase in overall program revenue will afford us the opportunity to further decrease plan Administration costs to Program participants as well as increase the program's reserve for those times in the future where market volatility affects Program assets under management.

Please see Addendum B – NDC Revenue Projection worksheet for projected revenue details.

## Impact on Existing Administration and Plan Governance

NDC Program Administration has collected eight years of data and conducted analysis from other Governmental Plans across the Country, conducts regular compliance and governance audits and review, conducts annual independent financial audits, and is an active member of the National Association of Government Defined Contribution Administrators (NAGDCA) where the Executive Officer represents Nevada by serving on the NAGDCA Executive Board; serving as the 2022 Board President.[5] The NDC Committee and Administration conducts annual Strategic Planning Sessions to determine the goals and objectives of the Program and the Plan therein. The NDC Program Administration has determined that implementing Opt-Out Automatic Enrollment would improve administration, improve expected and needed Program transparency, continue to develop and increase the financial wellness of government employees, families, and beneficiaries across the State, and satisfy compliance to mandated State and Federal guidelines. Opt-Out Automatic Enrollment has proven to make Plan governance more efficient and produce better financial wellness outcomes for Communities.

## Training and Development Requirements

As aforementioned, the State of Nevada is in the process of introducing and launching a completely new Resource and Technology platform, SMART 21, of which the State’s new employee On-Boarding process, Training platform, and employee task management platform will be completely redesigned and made more efficient.

Over the past three years, NDC Administration has been working with the SMART 21 development and implementation teams within the Office of Project Management to develop a seamless On-Boarding experience to ensure that each new employee is presented with information on the benefits of enrollment and participation of Deferred Compensation, that they make a mandatory decision to enroll or waive enrollment, and that annually each employee that waives enrollment is given a mandatory task to review Deferred Compensation information and Opt-in or Opt-out of enrollment in the Plan. Executing Opt-Out Automatic Enrollment simplifies this process, makes governance from a Human Resource and Plan Administration standpoint more efficient, and ensures Plan Compliance to State and Federal Regulations as it pertains to employee engagement.

Additionally, the two current Deferred Compensation online trainings offered on the State’s NV e-Learn site would be revised and amended to provide a more interactive experience to employees and launched to the Training platform created by the SMART 21 Teams.

5 National Association of Government Defined Contribution Administrators (NAGDCA) and Executive Board Leadership

## Performance Indicators and Benchmarking Plan

NDC Program Administration has developed a benchmarking and performance analysis policy that we have implemented over the past two years. The policy affords the NDC Committee and Administration to regularly evaluate its performance and plan demographics. The State of Nevada Public Employees' Deferred Compensation Program, along with nearly every other State and a multitude of participating local Government political subdivisions across the Country has teamed up with the National Association of Government Defined Contribution Administrators (NAGDCA), National Association of State Retirement Administrators (NASRA), and the Employee Benefit Research Institute (EBRI) to create a national database of performance and governance data to aid both the thousands of government plan sponsors across the country as well as the Defined Contribution industry in supporting their efforts to make plan governance and administration more efficient as well as assist in developing improved financial wellness of government employees across the country which represents nearly 30% of the workforce according to U.S. Bureau of Labor Statistics.[6]

The State of Nevada will be utilizing cutting edge technology to assist employees with projecting out and managing their financial wellness throughout their careers as well as on their journey to and through retirement. In 2021, the NDC Administration began providing each NDC Participant with a customized Annual Financial Wellness report that ties all of their employee benefits together (NV PERS, NDC Plan, PEBP Health management plan, etc.) and illustrates where they are at currently in achieving goals they create within their financial wellness journey, where they project to be at a designated future retirement date, and simple action steps they can take now to work towards accomplishing their financial wellness goals and objectives. Predictive modeling is being utilized to develop and initiate a customized individual communication, education, and marketing plan for each participant allowing them the opportunity to take action to improve overall financial wellness individually and within their families in an effort to support the Governor's priority of *Developing of Healthy Vibrant Communities* .

[6] US Bureau of Labor Statistics Employment Projections Report

## Statutory Changes

**NRS 287.320_***Persons eligible to participate in Program; receipt of notice of eligibility; automatic enrollment;* **Employer may agree with employee to defer compensation; investment of withheld money; deferred compensation and related property, rights and income held in trust.**

*1. Except as otherwise provided in this section, every state officer or employee who is employed in a full-time position is eligible to participate in the Program on:*

*(a) The first day of full-time employment of the state officer or employee, if that date is the first day of the month; or*

*(b) The first day of the month immediately following the first day of full-time employment of the state officer or employee.*

*2. Professional employees of the Nevada System of Higher Education who have annual employment contracts are eligible to participate in the Program on:*

*(a) The effective dates of their respective employment contracts, if those dates are on the first day of a month; or*

*(b) The first day of the month immediately following the effective dates of their respective employment contracts, if those dates are not on the first day of a month.*

*3. Every officer or employee who is employed by a participating local governmental agency or political subdivision on a permanent and full-time basis on the date on which the participating local governmental agency or political subdivision enters into an agreement to participate in the Program pursuant to NRS 277.180, NRS 287.330, NAC 287.703, and every officer or employee who commences employment with that participating local governmental agency or political subdivision after that date, is eligible to participate in the Program on:*

*(a) The first day of full-time employment of the officer or employee, if that date is the first day of the month; or*

*(b) The first day of the month immediately following the first day of full-time employment of the officer or employee,*

*4. Every member of the Senate and Assembly is eligible to participate in the Program on:*

*(a) The first day of the initial term of office of the member, if that date is the first day of the month; or*

*(b) The first day of the month immediately following the first day of the initial term of office of the member.*

*5. For each eligible person identified in subsections 1 to 4, inclusive, the participating public agency must provide each eligible employee a receipt of notice of eligibility and applicable Program information and Program approved communication. Verification and validation of receipt of notice of eligibility must be returned to the Program within 30 days of the employee's first day of employment.*

*6. Each person identified in subsections 1, 2 and 3 must enroll or formally Opt-Out of participation the Program by documented means set forth by the Program before the end of the first month in which he or she is eligible to enroll in the Program. If the person in subsection 1, 2 and 3 fails to enroll or decline participation in the Program before the end of the first month in which he or she is eligible to enroll in the Program, he or she will be automatically enrolled on an individual basis, at the Program's adopted minimum deferral amount, and invested in the Plan's Stable Value Investment Option offered by the Program. Such a person must be allowed to:*

*(a) Change the Investment Allocation in which the person is automatically enrolled anytime; and*

*(b) Opt-Out of the Automatic Enrollment anytime within 90 days of being automatically enrolled in the Program at which time all contributions will be refunded back to the employees employer for redistribution or payment on the next administratively permitted pay period or within thirty-days.*

*7.* The State may agree with any of its employees, and the Board of Regents of the University of Nevada may agree with any of its employees, to defer the compensation due to them in accordance with a program approved by the Committee which may consist of one or more plans authorized by 26 U.S.C. § 401(a), 401(k), 403(b), 457 or 3121, including, without limitation, a FICA alternative plan, or any other plan authorized by any federal law to reduce taxable compensation or other forms of compensation. The Board of Regents may agree with any of its employees to defer the compensation due to them as authorized by 26 U.S.C. § 403(b) without submitting the program to the Committee for its approval. An employee may defer compensation under one or more plans in the Program.

*8.* The employer shall withhold the amount of compensation which an employee has, by such an agreement, directed the employer to defer.

*9.* The employer may invest the withheld money in any investment approved by the Committee or, in the case of deferred compensation under 26 U.S.C. § 403(b) for employees of the Nevada System of Higher Education by the Board of Regents of the University of Nevada.

*10.* The investments must be underwritten and offered in compliance with all applicable federal and state laws and regulations, and may be offered only by persons who are authorized and licensed under all applicable state and federal regulations.

*11.* All amounts of compensation deferred pursuant to the Program, all property and all rights purchased with those amounts and all income attributable to those amounts, property or rights must, in accordance with 26 U.S.C. § 401(a), 401(k), 403(b), 457(g) or 3121, including, without limitation, a FICA alternative plan, or any other federal law authorizing a plan to reduce taxable compensation or other forms of compensation, as applicable, be held in trust for the exclusive benefit of the participants in the Program and their beneficiaries.

(Added to NRS by 1977, 894; A 1979, 797; 1985, 1122; 1987, 1823; 1993, 386; 1999, 32; 2001, 1004; 2003, 1408; 2017, 1601)

## The following language may need to be added to the Nevada Revised Statute:

*NRS 287.3205 Participating public agency required to furnish certain notice and information to Board and make records available for inspection; reimbursement of Program for premiums or contributions if agency fails to notify Program of change in status of employee.*

*1. A participating public agency shall furnish to the Program:*

*(a) Written notice of an employee of the participating public agency of any eligible employee who Opt-Out of Program enrollment. Such notice must be provided to the Program, on a form prescribed by the Program, within 30 calendar days after the participating public agency receives notification or otherwise becomes aware of the employee's declaration to Opt-Out of enrollment in the Program.*

*(b) Upon request from the Program, any other information necessary to maintain compliance to the provisions of this section.*

*2. The books, records and payrolls of a participating public agency must be available for inspection by members of the Executive Officer and its employees and agents to obtain any information necessary for the administration of the Program, including, without limitation, the accuracy of the payroll and identity of employees.*

Additionally, NRS 287.340 may need to be amended to provide the following clarification and authority:

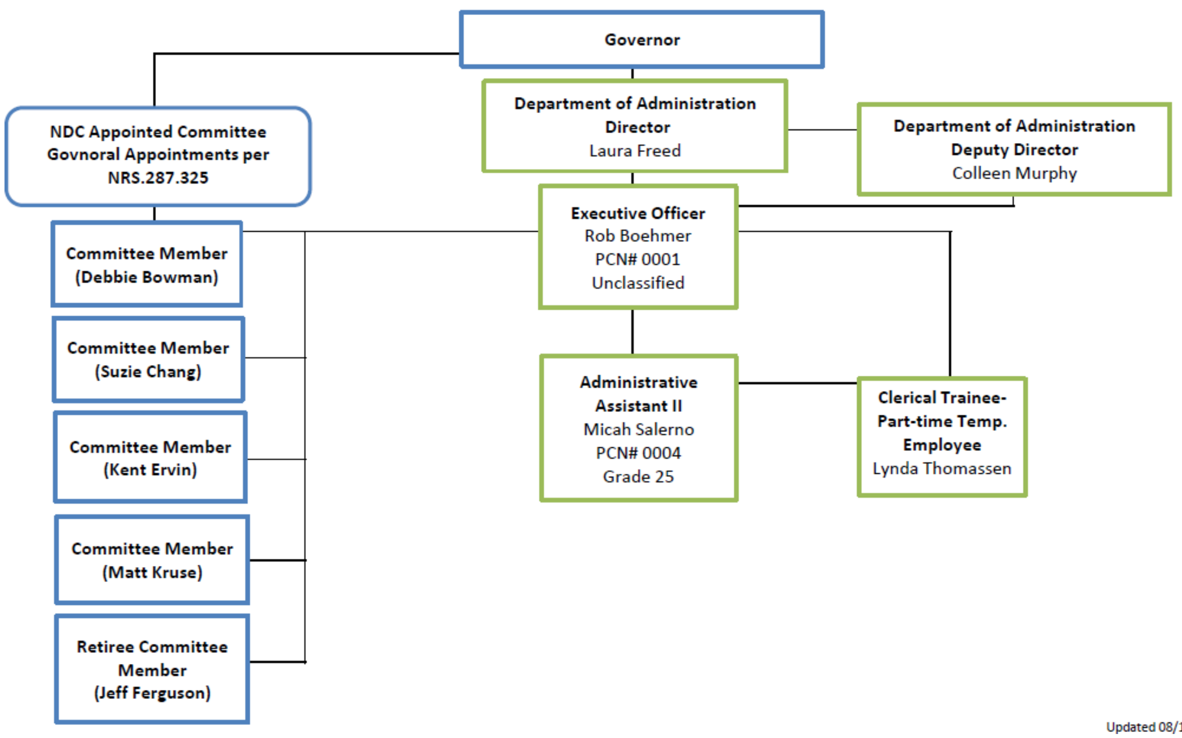
**NRS 287.340 Deferrals of compensation: Deductions from payroll; limitation on amount deferred.**
1. Deferrals of compensation may be withheld as deductions from the payroll in accordance with the agreement between the employer and a participating employee *at any time pursuant to the Program's adopted Plan Document and administrative policies*.
2. The amount of deferred compensation set aside by the employer to a plan under the Program during any calendar year may not exceed the amount authorized by 26 U.S.C. § 401(a), 401(k), 403(b), 457 or 3121, including, without limitation, a FICA alternative plan, or any other federal law authorizing a plan to reduce taxable compensation or other forms of compensation, as applicable.
(Added to NRS by 1977, 895; A 1979, 798; 1985, 1123; 1987, 1823; 2001, 1005; 2003, 1409)

NAC 608.160 would need to likely be amended to include the following clarification:

**NAC 608.160 Withholding of amounts from wages due. (NRS 607.160, 608.110)**
1. Without the written authorization of an employee, an employer may withhold from the wages due the employee:
   (a) Any amount required by law; and
   (b) Any employee contribution to a benefit program, such as health insurance, *employer sponsored defined contribution retirement plan*, or a pension plan, as permitted pursuant to NRS 608.110.
2. Except as otherwise provided in subsection 1, an employer may not deduct any amount from the wages due an employee unless:
   (a) The employer has a reasonable basis to believe that the employee is responsible for the amount being deducted by the employer;
   (b) The deduction is for a specific purpose, pay period and amount; and
   (c) The employee voluntarily authorizes the employer, in writing, to deduct the amount from the wages.
3. An employer may not use a blanket authorization that was made in advance by the employee to withhold any amount from the wages due the employee.
(Added to NAC by Labor Comm'r by R115-04, eff. 8-25-2004)

## Addendum A - Organizational Chart

**DEPARTMENT OF ADMINISTRATION**
**Nevada Public Employees' Deferred Compensation Program**
**Organizational Chart**




Updated 08/15/2020

## Addendum B – NDC Revenue Projection

| | Year 1 | Year 2+ |
|---|---|---|
| Current Part Count | 11,500 | |
| Current Active Accounts | 8,293 | |
| Eligible | 19,422 | |
| Auto Enrolled | 11,129 | |
| Opt Out % Yr1+ New Hires | 15.0% | |
| Opt Out % Re-auto enrolled | 0.0% | 60.0% |
| Part Lapse | 4.5% | 2.5% |
| New Hires per Year | 1,800 | |
| Admin Fee to State | $26.50 | |

| **Participant Account Rollforward** | **2021** | **2022** | **2023** | **2024** | **2025** |
|---|---|---|---|---|---|
| BOP | 11,500 | 21,972 | 23,729 | 25,239 | 26,590 |
| Auto Enrolled | 11,129 | 1,939 | 1,434 | 1,130 | 948 |
| New Hires Per Year | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 |
| Auto Enrolled Opt Out | (1,939) | (1,434) | (1,130) | (948) | (839) |
| Part. Lapse | (518) | (549) | (593) | (631) | (665) |
| EOP | 21,972 | 23,729 | 25,239 | 26,590 | 27,834 |
| | | | | | |
| % of Participants over $1,000 | 25% | 50% | 100% | | |
| Net Auto Enrolled Yr 1 | 2,747 | 5,495 | 10,990 | 10,990 | 10,990 |
| Net Auto Enrolled Yr 2 | | 576 | 1,153 | 2,306 | 2,306 |
| Net Auto Enrolled Yr 3 | | | 526 | 1,052 | 2,103 |
| Net Auto Enrolled Yr 4 | | | | 496 | 991 |
| Net Auto Enrolled Yr 5 | | | | | 477 |
| Participants with balance > $1,000 | 2,747 | 6,071 | 12,668 | 14,843 | 16,867 |
| | | | | | |
| | 50% | 75% | 100% | 100% | 100% |
| Revenue Yr 1 | 36,403 | 109,210 | 291,226 | 291,226 | 291,226 |
| Net Auto Enrolled Yr 2 | | 7,638 | 22,913 | 61,102 | 61,102 |
| Net Auto Enrolled Yr 3 | | | 6,968 | 20,903 | 55,741 |
| Net Auto Enrolled Yr 4 | | | | 6,566 | 19,697 |
| Net Auto Enrolled Yr 5 | | | | | 6,324 |
| Extra Admin Fee to State of NV | 36,403 | 116,847 | 321,107 | 379,796 | 434,090 |

## Addendum C – Auto Enrollment Case Study Report

## State of Washington Deferred Compensation Program

WASHINGTON STATE
Department of Retirement Systems

DCP by the Numbers

**1,400** AUTO-ENROLLED MONTHLY

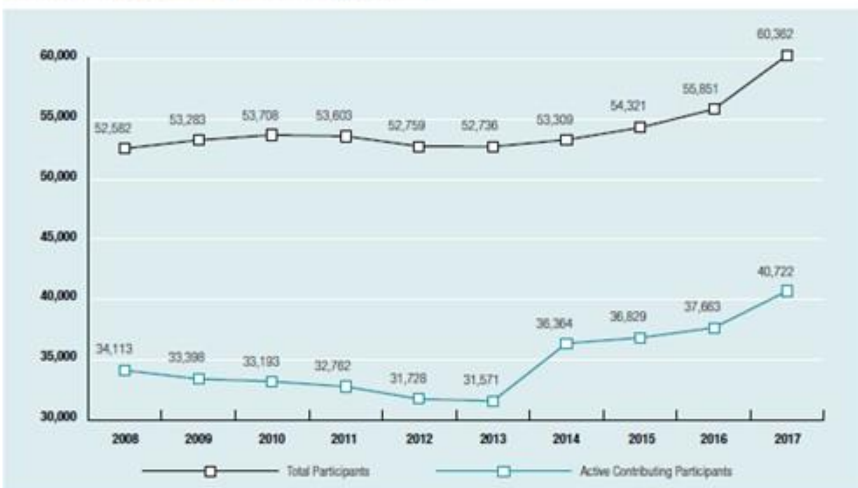
**82%** DEFAULT INTO DCP AT 3% RATE

**5%** ACTIVELY CHOOSE TO PARTICIPATE IN DCP

**13%** OPT OUT OF PARTICIPATION

**DCP Participation**

This chart illustrates participation in DCP for the fiscal years ended June 30, 2008-2017, which includes the inauguration of auto-enrollment into the savings program.




The Washington State Deferred Compensation Program (DCP) is a supplemental retirement savings program (an IRC Section 457 plan). Beginning in January 2017, the state began automatically enrolling all new, full-time state employees in the program with the ability to opt out.

## Addendum C – Auto Enrollment Case Study Report

### San Bernardino County Deferred Compensation Program

### Automatic Enrollment Results

- **5,420** new 457(b) plan enrollments, including **87%** from the non-participating employee subset population
- Plan participation increased **24.6%**, from a 55.4% to an **80%** participation rate
- **3,849** new participants are now eligible to receive a County match, resulting in an estimated annual increase of **$917,756.58** to the 401(a) Defined Contribution Plan.*
- $619 million starting assets in the 457(b) Plan grew to **$719 million** in plan assets since automatic enrollment began
- **832** participants increased their contribution
- **22%** average email open rate

### Video Engagement

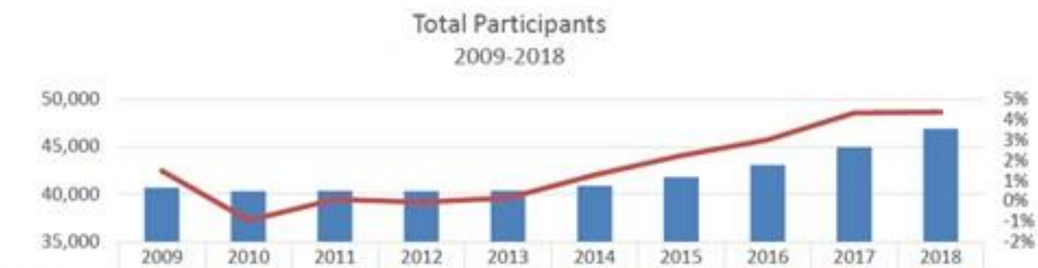
- 623 player impressions
- 383 plays
- 554.1 minutes viewed
- 70.5% average completion rate

**The County's matching contribution, based on 457 (b) Deferred Compensation participation, is deposited into a 401(a) plan so as not to encroach on the amount an individual participant may contribute to the 457(b) plan.*

### Addendum C – Auto Enrollment Case Study Report

## City of Los Angeles Deferred Compensation Program

Total participation continued its steady growth following workforce reductions from 2009-2013. The overall increase in 2018 was 4%, which continues the high trend from 2017. Following is a ten-year chart of year-ending total DCP participants and percent increases in participation.




| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| Participants | 40,702 | 40,316 | 40,348 | 40,325 | 40,389 | 40,906 | 41,818 | 43,076 | 44,938 | 46,904 |
| Growth % | 1% | -1% | 0% | 0% | 0% | 1% | 2% | 3% | 4% | 4% |

### Automatic Enrollment

In August 2018 the DCP launched its pilot Automatic Enrollment Program (AEP), an optional enrollment alternative for employee labor organizations. The AEP provides a mechanism for labor organizations to opt in to having their newly hired employees automatically enrolled into the DCP (although employees are given multiple opportunities to decline enrollment). The first labor organization to join was the Los Angeles Police Protective League (LAPPL). Given the success of the pilot, the DCP is engaging other labor organizations and hopes to expand AEP participation. Automatic enrollment typically results in enrollments rates in excess of 90% for new hires.

# Driving positive participant outcomes with innovative defined contribution plan design

### Improving the State of Michigan's defined contribution plans

- Voya collaborated the State of Michigan's Office of Retirement Services (ORS) to execute on a vision to improve plan participation and overall plan health in its defined contribution (DC) plans.
- The plan was executed over several years in true collaboration with Voya, yielding great results, including a 61% increase in participants, with 92% of participants contributing up to the match.
- The strategy included plan design changes, employee engagement and outreach, and leveraging automatic features to help improve outcomes for state and public school employees.

**Name of client:** State of Michigan

**Type of plan(s):** 401(k) and 457(b) plans

**Type of provider:** Government

**Number of employees:** 223,482

**Assets in the plan:** $8.84 billion

* As of 12/31/18

### The Situation

## Retiring the pension

ORS administers retirement programs for Michigan's state employees, public school employees, judges, state police and National Guard members. ORS serves 550,000 active and retired employees, representing one out of every nine Michigan households. Within these systems, ORS administers defined benefit, defined contribution, hybrid and retiree healthcare plans.

The State of Michigan implemented its DC plan in 1997 when it froze pensions for state workers. All new state employees hired after that date became eligible for The State of Michigan 401(k) and 457 Plans (the plan). In 2010, ORS began administering the plan to Michigan

VOYA

public school employees.

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**The Solution**

# ORS collaborated with Voya to drive participant engagement.

ORS provided feedback and strategic direction to expand defined contribution coverage and outcomes for state and public school participants. ORS also obtained executive approval to implement plan design changes to improve savings behaviors and retirement outcomes. From 2013 through 2018, significant successes included:

- Expanding the state's 401(k) and 457 plans to provide access to Michigan public school employees,
- Reducing the number of available loans to one,
- Implementing auto enrollment and
- Creating a personal healthcare fund.

**The changes resulted in:**

61% increase in participant

81% increase in plan assets

28% reduction in total program fees

Source: internal plan data from 2013-2018.

# The plan for a successful design

As a leader in the government market and retirement plan recordkeeping provider for the State of Michigan, Voya* collaborated with ORS to:

1. Execute participant engagement initiatives
2. Promote interaction with program resources and
3. Improve participation and savings rates

## 1 Maximizing matching contributions

A *"Say Hello to Your Match"* outreach campaign targeted participants who were not contributing enough to maximize the full employer match. To motivate participants toward getting on track, an auto-escalation feature was implemented that **automatically increased** participant savings rates by 1%, up to the maximum plan match.

Participants were given a two-week period in which to opt-out of the automatic increase. If no opt-out election was made or if the individual did not increase their savings rate on their own, their deferral amount was escalated.

**RESULT:** of the 6,251 individuals targeted in the campaign, 98.4% opted into the savings rate increase.

*Plan administrative services are provided by Voya Institutional plan Services, LLC (VIPS). VIPS is a member of the Voya® family of companies and is not affiliated with the Michigan Office of Retirement Services.

## ② Targeted participant engagement

A creative "*Road to Retirement*" campaign was designed to educate active DC participants on their retirement plan, eligible match and current individual contribution rates. The goal of the campaign was to give participants more confidence in making decisions that affected their retirement savings. Participants were segmented and targeted by career stage:

| Early-career (ages 20-34) | Mid-career (ages 35-49) | Late-career (ages 50+) |
|---|---|---|

**RESULTS:**

- 7,933 participants logged into the campaign microsite to learn more about their plans, contribution rates and age-related considerations
- 26,555 participants (42%) logged into the plan website
- 6,500 participants (26%) took an action, of whom 1,088 increased their contribution rate
- 1,018 participants changed their deferral rate: on average from 7.5% to 8.1%

## ③ Small steps

Building on the success of the "*Say Hello to Your Match*" campaign, the "*Small Steps*" campaign helped:

- Increase engagement in saving for retirement for all participants saving less than 10%,
- Educate active participants on the benefits of increasing their contributions and
- Provide an easy way to do so.

Participants were encouraged to start small and make a 1% increase each year until they reach the goal of 10% of their wages. This campaign implemented the 1% increase with the start of the new plan year, unless the participants opted-out or actively elected an automatic increase of their deferrals through the voluntary "*rate escalator*" feature.

**YEAR ONE RESULT:** Of the 94,361 participants targeted, 86,451 participants (92%) received the automatic 1% increase.

**YEAR TWO RESULT:** Of the 91,547 participants targeted, 85,856 participants (94%) received the automatic 1% increase. Additionally, the average contribution rate increased by about one percentage point per year.

**YEAR THREE RESULT** The annual campaign was expanded to include all participants contributing less than 15% to their retirement plan (up from 10%). Of the 108,305 participants targeted, 101,313 (94%) received the automatic

## Focus

In 2016, Voya conducted participant focus groups in the two Michigan cities with the largest concentrations of state workers. In every session, participants commented that they knew they needed to save more, but didn't know how much would be enough. Without a clear goal to work toward, it was easier for participants to ignore making contribution increases. The state used the results of the focus groups, along with the plan review, to execute annual campaigns to leverage their automatic enrollment program to systematically increase

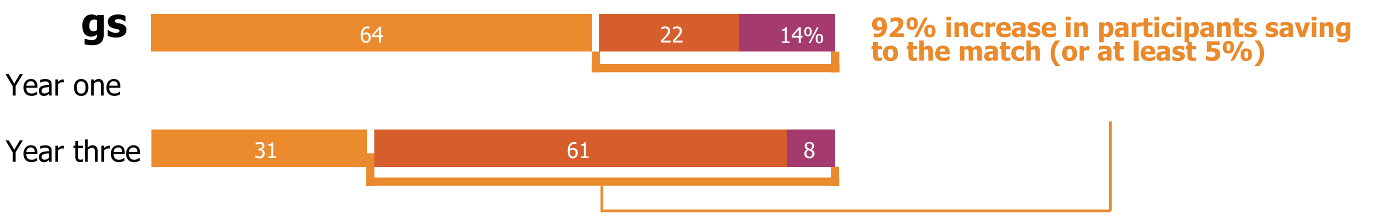
### The Results

# Optimized plan design led to improvements in plan health

While each of these activities has proven successful, the impact can be realized in the overall health of the State of Michigan's plans.

## Participant savings and income results

### Savings



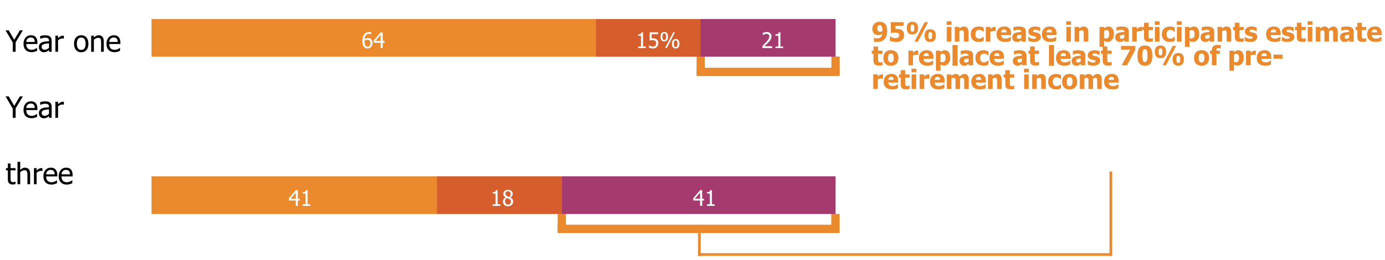

Participant is not saving enough to receive the full employer match (or not saving 5% if not eligible for match or salary unknown)

Participant is taking full advantage of match (or saving at least 5% if not eligible for match or salary unknown). Participant is not saving to within $500 of pre-tax/Roth IRS or plan maximum, or 15% of salary.

Participant is saving to within $500 of the allowable pre-tax/Roth IRS or plan maximum, or saving at least 15% of salary.

Source: Internal plan data powered by Financial Engines.

### Income




Has less than 50% chance of meeting the ideal goal and less than 95% chance of meeting the minimum goal. Has less than 50% chance of meeting the ideal goal or less than a 95% chance of meeting the minimum goal. Has at least a 50% chance of meeting the ideal goal and a 95% chance of meeting the minimum goal.

Source: Internal plan data powered by Financial Engines.

## Reach out to your local Voya representative to learn how we can help improve your plan participation and plan health.

## Visit **voyadifference.com** to learn more.

**For plan sponsor and investment professional use only. Not for use with participants.**

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# USING AUTO-ENROLL TO IMPROVE PARTICIPANT OUTCOMES

For decades governmental defined contribution plans were viewed as a supplemental savings tool that could be used to pay extraneous expenses in retirement such as vacations, a new car or boat. The defined benefit pension would replace, in some cases up to 90% of a worker's income in retirement. As the governmental defined benefit plan landscape continues to evolve, more and more responsibility to fund this important benefit is shifting to employees. These former supplemental programs can have an impact as to whether an individual faces a drastic reduction in lifestyle in retirement.

## Shift in Defined Benefit Formulas

Half of all of the public defined benefit systems were founded shortly after the Social Security Act of 1935. At the time of its establishment, state and local governmental employees were excluded from the Social Security system. From 1936-1950, states began establishing systems to offer their own employees retirement protection.

When these systems were established the average life span was around 60 years. That number has increased by 30% over the past 60 years to 78 years. Men and women who live to age 65 today have a 31% and 40% chance of living to age 90, respectively.

Longer lifetime payouts, coupled with a volatile stock market that featured two major recessions in 10 years and a fixed income market that has been providing lower yields since 1980 have placed a tremendous amount of stress on the funding levels state and local defined benefit systems.

Many systems have responded by reducing the formula designed to provide the lifetime payout in retirement in order to improve the health of their systems, or considered significant plan design changes. A National Conference of Public Employee Retirement System (NCPERS) conducted survey concluded that in 2014, 23% of all public pension systems reduced or tiered their benefit formula. According to the National Conference of State Legislatures, 43 states legislatures enacted significant changes to their retirement systems between the post-recession years of 2009-2011.

Changes Included:

1. Higher Employee Contributions
2. Longer Vesting/Age Requirements
3. Reduced Formulas for New Employees
4. Reduced COLAs
5. Consideration of a defined contribution hybrid plan to supplement reduced pension benefits

## Healthcare Impact

Public sector retirees with longer life spans and reduced pension payouts face strong headwinds dealing with the rising cost of healthcare.A change in accounting rules known as GASB 45 required public employers to disclose unfunded retiree healthcare liabilities on their balance sheet. As a result of that regulatory change, some states and other public entities chose to discontinue offering retiree medical benefits.

A healthy male and female age 65 will need $144,000 and $156,000 respectively, to fund post-Medicare health care expenses at the 90% confidence level. Without having significant personal savings to cover rising healthcare costs, seniors could find themselves having to choose between their health and their personal finances.

## Job Hopping

Two decades ago, a job search consisted of looking at classified ads and hoping something matched your qualifications on the day you happened to look at the newspaper.Today, jobs tend to search for you.With hundreds of job search websites, many that will send positions to your inbox every morning based on your experience, it has never been easier to move between organizations.

A 25-year-old will have already worked on average 6.3 different jobs today. At that pace they will work 12-15 different jobs before age 45.With 92% of all governmental defined benefit plans requiring a vesting period of five years or longer, having a portable auto-enrolled and employee directed personal savings plan becomes critical to avoid completely starting over in terms of preparing and saving for retirement at every different job. Although technology has made the job search much easier, baby boomers had similar success in job hopping using the traditional classified ads, averaging 11.6 different jobs before age 45.

Employees that spend less than 50% of their career in the public sector can expect to earn on average a 54% income replacement ratio inclusive of both defined benefit pension and social security. Having personal savings is essential to augment lower pension payments to avoid a drastic reduction in retirement lifestyle.

## Public Sector Defined Contribution Plans

Due to their history of being viewed as supplemental, defined contribution plans in the public sector have lagged behind their ERISA counterparts in both innovation and participation. While participation in private sector 401k plans has steadily increased with automation features, supplemental plans in the public sector have remained in the 30-50% participation range for decades.

With increased longevity, lower defined benefit pension formulas, a higher burden for healthcare on the employee and the potential to work for multiple employers during a career; it is time for public sector defined contribution plans to improve their plan design in an effort help public sector employees achieve retirement readiness.

## Impact of Inertia

When defined benefit plans were created, enrollment and employee contributions were automatic and the benefits were typically determined by a formula using service time and final average salary/wages. Defined contribution retirement plans were subsequently introduced as supplemental retirement plans and it was historically

left to the employees to decide whether to save and how much to save. Inertia and other behavioral factors have resulted in inadequate savings as employees often do not enroll in a defined contribution plan or, once enrolled, do not increase the amount of their contributions over time.

Behavioral research has identified the negative impact that inertia has on defined contribution savings and has demonstrated how inertia can be turned into a positive force through automatic enrollment and automatic escalation. As previously mentioned, when automatic enrollment is introduced in plans, a vast majority of those enrolled remain in the plan. Similarly, when automatic escalation is introduced, a high proportion of participants continue with automatic escalation over time.

The Pension Protection Act (PPA) of 2006 paved the way for the most beneficial design changes to impact defined contribution plans. Instead of continuing to fight against participant inertia, the PPA embraced that inertia to work for participants. Safe

Harbors were provided to plan sponsors that designed plans to include auto-enroll, auto-escalation and a diversified qualified default investment alternative. The results have been impressive, with auto-enroll capturing a 90% average stick rate of those continuing to save for retirement. Those in the lowest income group have benefited the most as research has shown auto-enrollment to nearly double (82% increase) replacement incomes among that group.

## Legislative Concerns

Because public sector defined contribution plans are not subject to the Employee Retirement Income Security Act (ERISA), many states' anti-wage garnishment laws are not preempted with the addition of auto-enrollment. Since public sector plans continue to be subject to state law, some states prevent an employer from deducting any amounts out of an employee's paycheck without that employee's consent.To date, 12 states have passed legislation to allow for auto-enrollment into public DC plans, with Wyoming and Washington being the most recent. For some of these states, the legislation only applies to either state employees or participants in the state run plan, leaving it unavailable to municipal employers within the particular state.

Some public plan sponsors are in states that allow creative methods to circumvent state anti-wage garnishment laws. States, such as California, allow unions to negotiate for auto-enrollment for their members through a memorandum of understanding achieved in the collective bargaining process. The City of Los Angeles is the largest employer attempting to utilize this method of auto-enroll. The City is currently conducting a pilot program to allow for auto-enroll to its police union members and hopes to successfully expand the program to other unions in the future.

## Auto-Enroll Process

Auto-enroll procedures (e.g. default rate, waiting period, covered employees, etc.) may vary but one of the most popular is the Eligible Automatic Contribution Arrangement (EACA). If each of the specific Internal Revenue Code rules is met, an EACA can allow an employee to opt out after an automatic contribution has been made and request a refund of contribution within 90 days of the first contribution. Typically, the plan sponsor provides employees with a 30-day notice prior to the first withdrawal. Under an EACA, the plan defaults the automatic contributions into the plan's capital preservation fund option for the first 90 days, and then switches the employee to an age appropriate diversified option or life cycle fund; such as a Target Date Fund.

To further improve an employees' retirement readiness, research has found that including auto-escalation is necessary to fight participant inertia and according to a recent SHRM study, 55% of employees would favor an automatic annual increase. If the plan includes auto-escalation, the increase typically begins on the first payroll date of each new calendar year. Employees may opt out of the auto-escalation at any time by making any type of positive deferral election, but additional research has shown that 68% of employees remain enrolled in the auto-escalation.

Improved participant outcomes by combining auto-enrollment with auto-escalate and increasing the initial default deferral rate, participants can significantly increase their savings over time. Just as participant inertia keeps employees from enrolling in the plan, so, too, can it put them on the path to a more secure retirement when effective auto-features are implemented. Although formula guidelines have been established in the private sector, it is important to consider the defined benefit pension replacement amount and employee contribution rates when constructing public sector auto-enrollment formulas to ensure maximum success.

## Cost and Savings Considerations

There are potential costs and savings to consider prior to beginning an auto-enroll and/or auto escalation design change. If the plan provides matching contributions, it will be necessary to determine the impact the increase in participation may have on the employer's budget. It is equally important to consider the financial and organizational impact of having an employee continue to remain employed well past the plan's normal retirement age.

Recordkeeping costs should also be considered. Many plans are priced by looking at the number of participants in the plan and average participant account balance. Taking into account normal turnover, auto-enroll can have an impact of increasing the number of small balance accounts and negatively affecting the average account balance, particularly if the plan is successful in retaining lower income workers that have never previously been a part of the plan. Over the long term however, one can reasonably expect those who remain employed will have a significant positive impact on the overall growth of the plan size which could lead to reduced plan costs.

Having a process in place to transfer the accounts of terminated participants with small balances to an IRA can help alleviate the negative impact to overall plan pricing.

## Case Studies

## State of Texas

Auto Enrollment — Implemented January 1, 2008

### Legislation

The passage of H.B. 957 in 2007 authorized the automatic enrollment of newly hired state employees into the Texas Saver 401k plan.The automatic enrollment bill, was an attempt to encourage state employees to save more for retirement. Beginning January 1, 2008 new hires and rehires with a break in service were auto enrolled at 1%.

| Results | Pre-Auto Enroll (2007) | 2013 | 2015 |
|---|---|---|---|
| **Participation Rate** | 34% | 48% | 56% |
| **Average Contribution** | $3,408 | $1,512 | $1,428 |
| **Average Balance** | $21,411 | $11,707 | $11,583 |
| **Stick Rate** | | | 89.40% |

Observations & Lessons Learned:

- Increased plan participation for new hires.
- Few make changes after enrollment; 53,682 still at 1% rate.
- With automatic increase of 1% per year, capping at 6%, the employee would have tripled assets.

## State of Wyoming

Began July 1, 2015 for new employees of the executive, legislative and judicial branches of Wyoming State Government. Default contribution rate of the greater of $20 or 3% of pre-tax gross pay.

### State of Wyoming 457 Plan

| Auto Enrollment Summary | 7/1/15 - 12/31/15 |
|---|---|
| Eligible new employees, auto enrolled | 260 |
| Returned mail (excluded) | 3 |
| Gross eligible new employees | 257 |
| Electively enrolled | 27 |
| Terminated (before 30 day waiting period ended) | 14 |
| Pre-July hire | 4 |
| Net eligible new employees | 209 |
| Opt outs | 4 |
| Permissible withdrawal | 1 |
| Auto enrolled employees | 204 |

**Auto enrollment "stick" rate - 97%**

Observations & Lessons Learned:

- Once automatic enrollment was implemented, it was onerous to return the $20 per month employer match to the employer in the event of a permissible withdrawal. The Wyoming Retirement System partnered with a legislative sponsor to adjust the enabling legislation in 2015 to allow the $20 per month employer match to be distributed to the employee in the event of a permissible withdrawal.

## State of Indiana

### Indiana Hoosier S.T.A.R.T. Plan

2007- introduced auto-enroll at 0.5%
2011-added auto-escalation of 0.5% per year
2013- increased auto-enroll rate from 0.5% to 2%

| Results | Pre-Auto Enroll | Post Auto-Enroll |
|---|---|---|
| Participation Rate | 51% | 64% |
| Stick Rate | | 97% |

Observations & Lessons Learned:

- Of those auto-enrolled, 62% make less than $30,000 per year, dispelling the myth that lower income employees can't afford to save.

## State of South Dakota

### South Dakota Supplemental Retirement Plan

2008- State legislature passed auto-enroll legislation

2009- New employees enrolled at $25 per month

**Effect of New Policy on Enrollments and Opt-Outs from the SRP**

Observations & Lessons Learned:

| | New Enrollments | State Employees | Local Employees and Regents (University Employees) | Opt-Outs Received During the Month | Opt-Out % |
|---|---|---|---|---|---|
| Jul-09 | 106 | 89 | 17 | 0 | 0.0% |
| Aug-09 | 190 | 90 | 100 | 8 | 4.3% |
| Sep-09 | 256 | 67 | 189 | 13 | 5.1% |
| Oct-09 | 141 | 49 | 92 | 34 | 24.1% |
| Nov-09 | 126 | 71 | 55 | 22 | 17.5% |
| Dec-09 | 135 | 84 | 51 | 11 | 8.1% |
| Jan-10 | 124 | 77 | 47 | 6 | 4.8% |
| Feb-10 | 94 | 43 | 51 | 8 | 8.5% |
| Totals | 1,172 | 570 | 602 | 102 | 8.7% |

- 91.3% overall auto-enroll stick rate
- Employers in the State that did not adopt auto-enroll conversely saw less than a 1% opt-in enrollment rate with 17 of the 2,360 employees choosing to save.

## Conclusion

Having a competitive retirement program is essential to attracting and retaining employees for not just a corporation or not for profit entity, but for governmental entities as well Governmental entities will therefore need to provide more competitive and well-designed retirement plan and benefit programs. Employees tend to look for guidance from their employer when it comes to employee benefits. Employers can set an important precedent by offering an automatic enrollment arrangement and impressing upon employees how important it is to begin saving for retirement as soon as possible. Many employees will appreciate the effort made to easily get them into the plan, and most will continue to save as evidence by the 90% stick rates of auto-enroll. Auto-escalation also becomes very important because employees may conclude that if 1% was the suggested rate by the employer, then it must be sufficient, as the Texas case study proves with most participants never changing their deferral amount.

Excuses for not beginning a savings program can be made at every phase in life - student debt, getting married, buying a house, having kids, paying for college, etc.; before you know it you are out of time.

With so much burden of responsibility being placed on the individual today, it is imperative to change the system to better serve those that serve the public, by working to make auto-enrollment and auto-escalation programs available to all public sector employees.

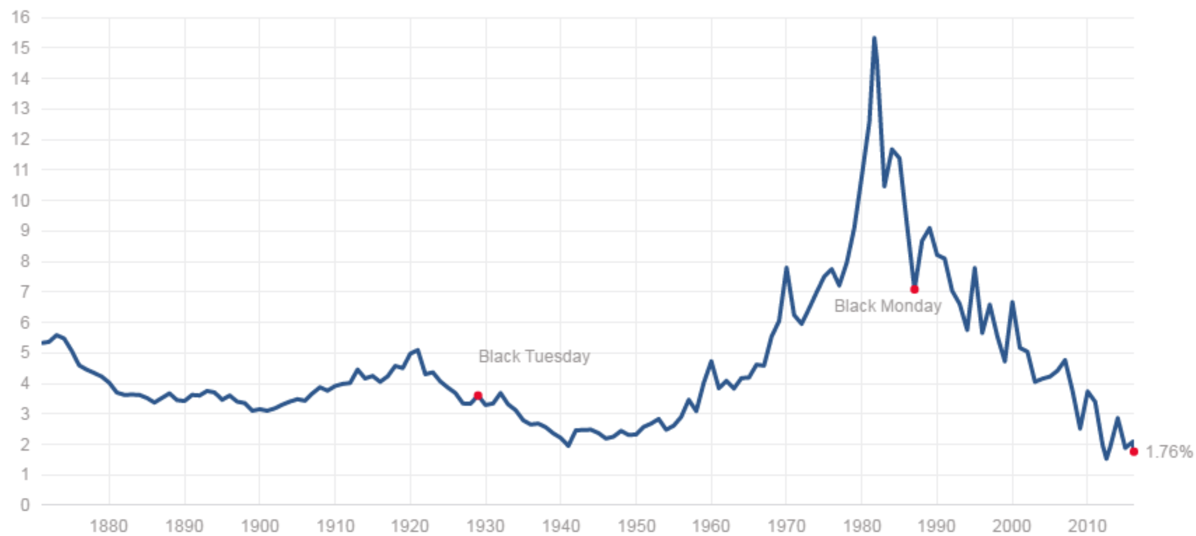
### REFERENCES:

**Current 10-Year Treasury Rate:** 1.76%

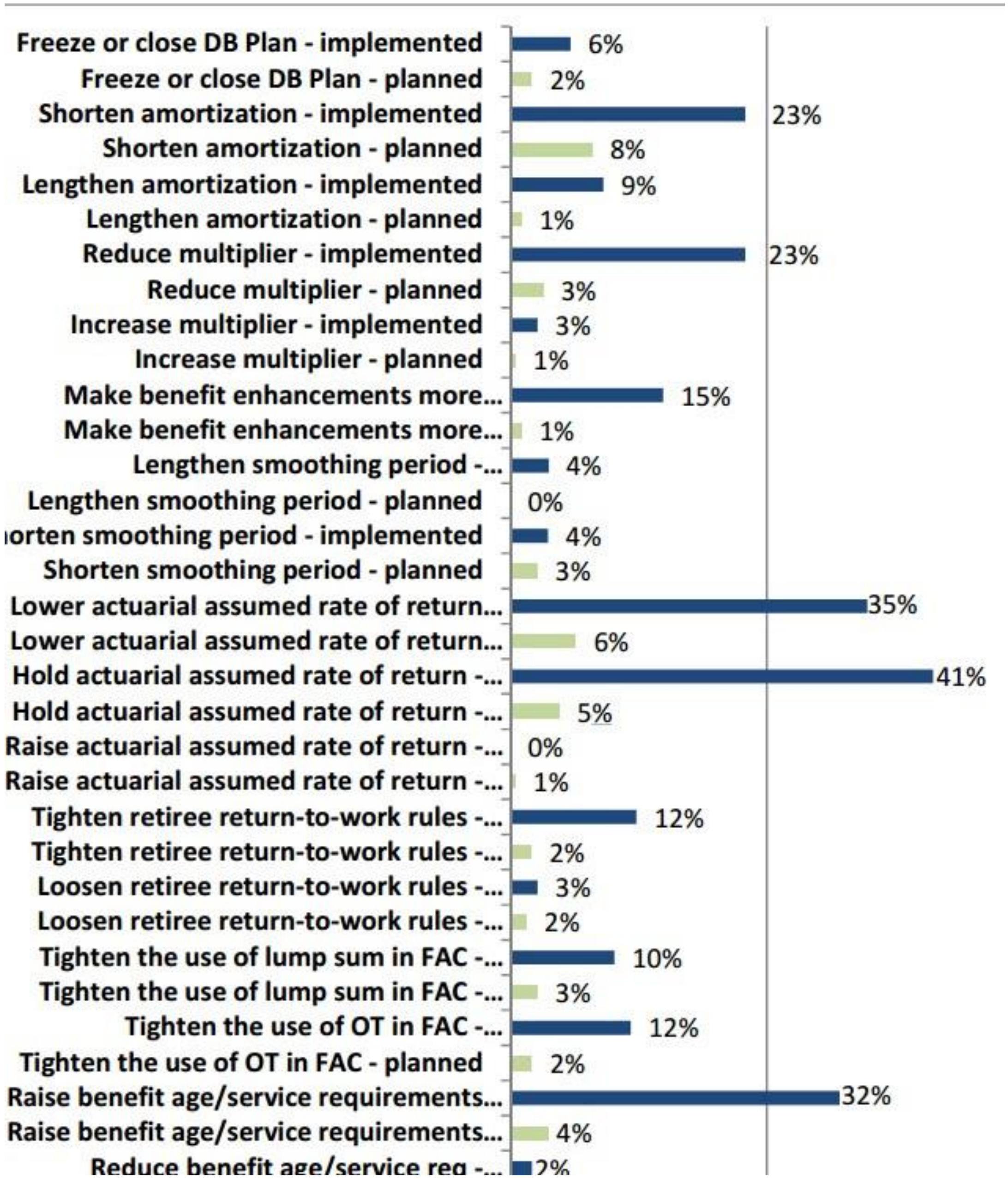
At market close Fri Feb 26, 2016

| | | |
|---|---|---|
| **Mean:** | 4.60% | |
| **Median:** | 3.88% | |
| **Min:** | 1.53% | (Jul 2012) |
| **Max:** | 15.32% | (Sep 1981) |

US 10 Year Treasury Yield.

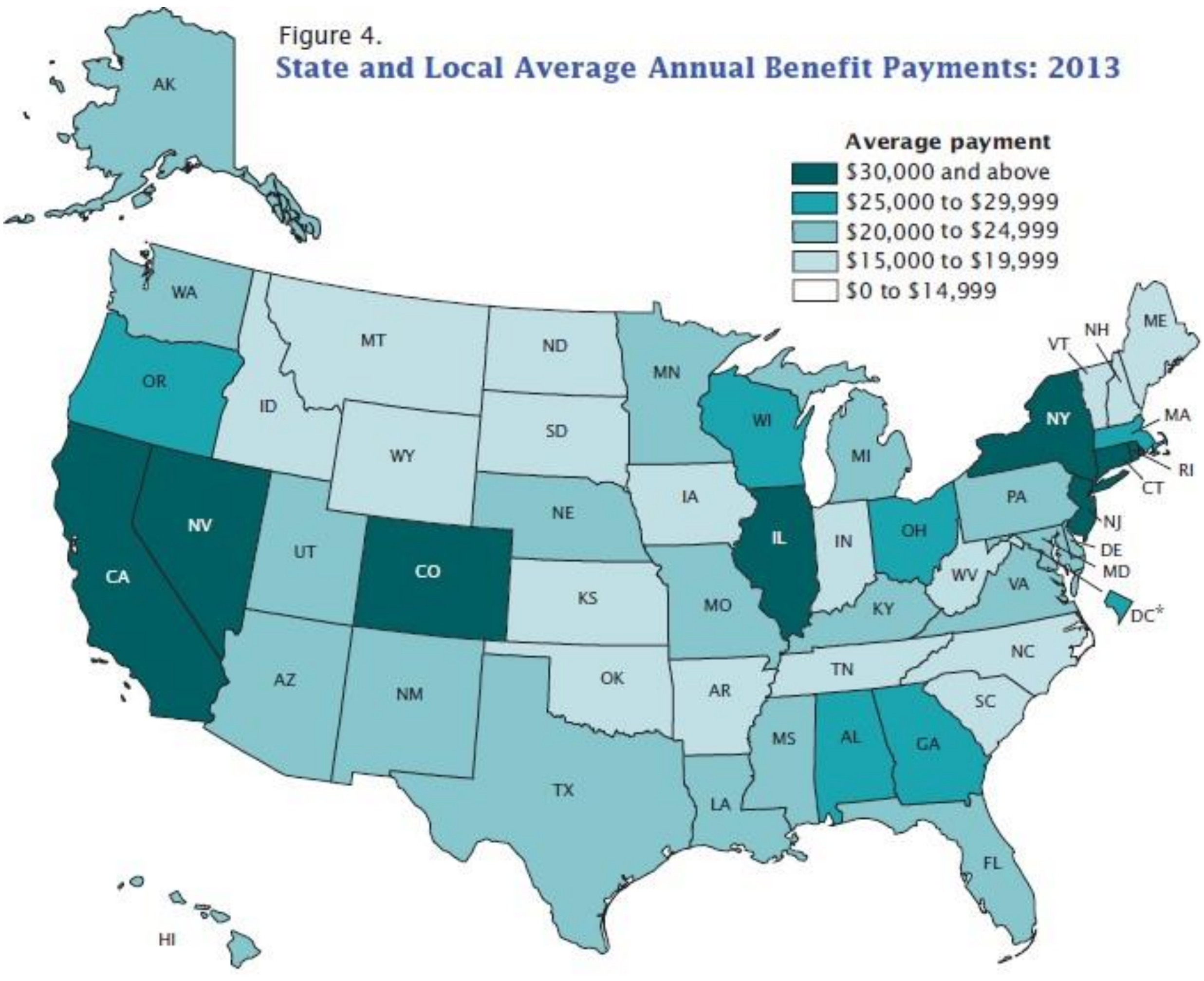



Source http://www.multpl.com/10-year-treasury-rate 10-year historical yield




Source: http://www.ncpers.org/files/2014%20NCPERS%20Public%20Retirement%20Systems%20Study%20Report.pdf (2015 Report)

The average annual benefit payment for state- and locally-administered pensions (total benefit payments divided by the number of beneficiaries) for the United States was $26,128 in 2013. The state with the highest average annual benefit payment from state- and locally-administered pensions in 2013 was Connecticut (averaging $35,486 annually). Connecticut was one of eight states with average annual benefit payments above $30,000.The other seven states were California, Colorado, Rhode Island, Illinois, Nevada, New York, and New Jersey.At the other end of the spectrum, the state with the lowest average annual benefit payment from state- and locally-administered pensions in 2013 was North Dakota (averaging $14,900 annually). North Dakota was one of 16 states with average annual benefit payments below $20,000. See Figure 4 for state




Source: U.S. Census Bureau, 2013 Annual Survey of Public Pensions: State- and Locally-Administered Defined Benefit Data and historical survey data.

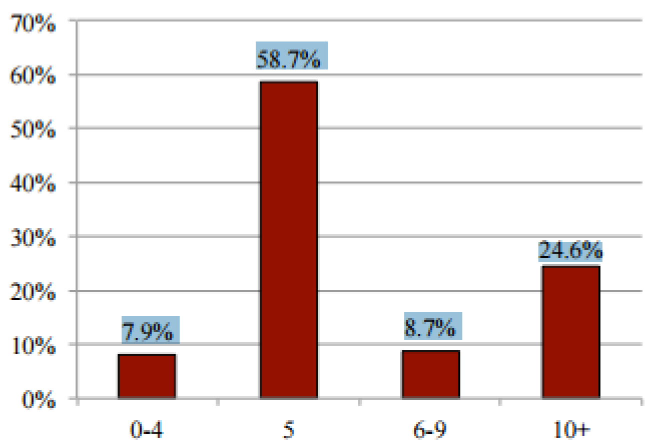
http://www2.census.gov/govs/retire/g13-aspp-sl.pdf

## Empower Institute- Health Care Costs

is one of the most significant and worrisome categories of expenses in retirement.These expenses are primarily in the form of premiums for Medicare parts B and D and supplemental insurance, as well as out-of-pocket expenses for copays and cost sharing related to medical treatments and medications. We show that for a healthy 65-year-old male retiree, cumulative savings of approximately $144,000 would be required to fund these expenses for the projected retirement period at a 90% confidence level. For a female, the amount would be $156,000. However, for different health and disease states, the interactions of projected health costs and associated mortality projections often have interesting and counterintuitive effects on retirement planning. For example, the higher retiree healthcare costs of conditions such as diabetes and tobacco use are offset by reduced life expectancies. The net effect is that, in certain health states, less savings are required for healthcare.

- Baby Boomers avg. 11.6 jobs ages 18-45
- 25 yr olds today have already worked 6.3 jobs
- Millennials are pace to have 12-15 jobs before age 45.
- Source: http://www.bls.gov/nls/nlsfaqs.htm
- Source: http://money.cnn.com/2013/04/09/news/economy/millennial-job-hopping

FIGURE 4. DISTRIBUTION OF STATE AND LOCAL PLANS, BY YEARS IN VESTING PERIOD, 2010




Source: *Public Plans Database* (2010).

## The Pension Protection Act and 401(k)s

*by Jack VanDerhei,Temple University and EBRI Fellow*

### What Auto-Enrollment Means for Workers

Modeling research by the Employee Benefit Research Institute prior to the passage of PPA indicated that the automatic enrollment feature was likely to be particularly helpful to low-income 401(k) participants (higher-income participants would also benefit, although not as dramatically). Specifically, under a 3 percent) default contribution rate and a life-cycle default investment, median income replacement rates at retirement for the lowest-income group would increase 19 percent points, to 42 percent if automatic enrolment were universally adopted by all 401(k) sponsors.

TABLE 4. MEDIAN REPLACEMENT RATES[a] FOR HOUSEHOLDS, INCLUDING FINANCIAL ASSETS, BY EMPLOYMENT HISTORY

| Retirement income source | Private sector | | | State-local sector | | | |
|---|---|---|---|---|---|---|---|
| | | | | | Percent of career spent in state-local sector | | |
| | All | Without pensions | With pensions | All | 1-15% | 15-50% | >50 % |
| Social Security | 30.3 | 34.0 | 29.1 | 27.1 | 27.8 | 27.3 | 25.8 |
| Social Security + pensions[b] | 44.8 | 34.0 | 50.0 | 53.1 | 43.4 | 54.2 | 67.5 |
| Social Security + pensions[b] + Financial assets[c] | 51.0 | 40.5 | 55.6 | 60.2 | 50.9 | 61.3 | 72.7 |

[a] The denominator is the individuals' top five years of earnings in the last ten years indexed for inflation plus income from financial assets.

[b] For those with pension coverage, IRA assets are included in defined contribution wealth; for those without pension coverage, IRA assets are classified as part of financial assets.

[c] The real return on financial assets is assumed to be 2.3 percent.

*Source*: Authors' estimates from 1992-2008 HRS.

Source: http://online.wsj.com/ad/employeebenefits-pension_protection_act.html

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