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*Executive Officer*

STATE OF NEVADA DEPARTMENT OF ADMINISTRATION

**PUBLIC EMPLOYEES' DEFERRED COMPENSATION PROGRAM**

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**DEFERRED COMPENSATION COMMITTEE  
QUARTERLY MEETING MINUTES**

Thursday, March 10, 2022

The quarterly meeting of the Deferred Compensation Committee was held on Thursday, March 10, 2022, at 9:00 a.m. in person at 100 N. Stewart Street, Boardroom, Carson City, Nevada, and by 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/](https://defcomp.nv.gov/Meetings/2022/2022_Meetings/)

**COMMITTEE MEMBERS**

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

**OTHERS PRESENT**

Bishop Bastien, Voya  
Rob Boehmer, NDC Executive Officer  
Rasch Cousineau, Hyas Group  
Scott Darcy, Voya

Merrill Desrosiers, Voya (via phone)  
Henna Rasul, Sr. Deputy Attorney General (via phone)  
Micah Salerno, NDC Admin. Assistant

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

Chairman Ervin called the quarterly meeting to order for the Nevada Deferred Compensation (NDC) Committee at 9:09 a.m. on Thursday, March 10, 2022.

Mr. Boehmer took roll, determined a quorum was present, and confirmed the meeting was properly noticed and posted.

2. **Public Comment**

No public comments.

3. **For Possible Action- Approval of Nevada Public Employees' Deferred Compensation Program (NDC) Committee (Committee) meeting minutes for public meeting held on January 21, 2022.**

**Motion by Vice Chair Ferguson to approve the minutes from January 21, 2022, second by Ms. Bowman. Motion passed unanimously, 5-0.**

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

Mr. Boehmer reviewed his quarterly report including:  
a. FY2022 Budget Status Report (BSR):

- i. A report was given and reviewed on the current projection of revenue based on the up-to-date participant level and projection of expected reserve balance at the end of FY2022/2023. There were 191 days' worth of cash reserves available.
- ii. A report was given and reviewed on the Administrative Account data and General Ledger data. As of February 14, 2022, Admin Allowances were \$233,180 for full-time Plans and \$13,652 for the FICA Alternative Plan.

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

- b. Quarterly Plan Activity and Data Report – Staffing shortages had negatively impacted full-time plan enrollments. Voya had been short staffed, and the State had been hiring fewer new employees. The Committee noted that 8% of accounts (1,366) were under \$1,000 and per policy not paying the \$10.25 quarterly fee. This was due to the State fee structure to encourage participation. If the 1,366 were paying fees, it would have been another \$56,006 in revenue to NDC. Additionally, the regularly scheduled, small account cash-out of FICA accounts contributed to lower numbers for that plan.
- c. The Executive Branch Audit Committee Report – The report was not available due to staffing shortages at the State audit office.
- d. Staff noted that NAGDCA awards were open, and Staff would work with Voya and Hyas Group to submit nominations. Nominations were due by April 29, 2022.
- e. Contract Management Report -
  - i. Casey Neilon Annual Evaluation (contract expiration July 31, 2023) – This rating was postponed until after they presented their audit at the May meeting.
  - ii. Hyas Group Annual Evaluation (contract expiration May 31, 2025) – Hyas Group received 2.15 (“standard”) rating. Staff noted that for Nevada “standard ratings are expected and acceptable.
  - iii. Voya Financial Annual Evaluation (contract expiration December 31, 2024) – Voya's rating was 1.975 which was a “standard” rating.

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

5. For Possible Action- Receive and discuss DRAFT Opt-Out/Auto Enrollment/Escalation Bill/White Paper for upcoming 2024/2025 Budget Build.
  - a. Staff noted the benefits of an auto enrollment structure and cited examples of successful auto enrollment implementation by other states.
  - b. If enacted, auto enrollment would add more accounts which would provide more revenue to NDC. This could create the need for additional NDC staff. Hyas Group could assist with projected revenue analysis and would work with NDC Staff to further develop the analysis prior to presenting to the Committee.
  - c. Most importantly, auto enrollment/escalate would provide better retirement outcomes for Nevada employees that might otherwise not have enrolled.
  - d. A possible auto enrollment structure would include a 3% auto enrollment deduction with a 1% auto annual escalation that could be raised at employees' discretion. This would only apply to State payroll.
  - e. Auto enrollment may also feature a 90-day opt out known as an Eligible Automatic Contribution Arrangement (EACA).
  - f. Anti-garnishment wages, an impediment to auto enrollment in other states, currently do not exist in Nevada.
  - g. The Committee requested an executive summary be added to the legislative proposal once it was ready.

The updated draft should be ready in mid-May and need to be submitted to Governor's Finance Office in June. The Committee asked for an updated draft to be sent out for individual comments prior to the May meeting.

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

Hyas Group provided the Investment Consultant Review which included:

- a. The Fourth Quarter 2021 Performance Report – Features of the report were:
  - i. Market Commentary – 2022 was off to a rocky start for markets. Inflationary pressures, geopolitical turmoil, Omicron persistence, and continued supply chain weakness were some of the factors weighing down financial markets. With so many key factors unknown, 2022 could shape up to be the year of new financial trends, important policy transitions, and answers to many questions. Defined Contribution Plan Participants should continue to think long-term, focus on their retirement goals and try to ignore the short-term loud noises currently impacting markets.
  - ii. Plan Data Review – December 31, 2021, full-time Plans' assets were \$1,107,377,787 which represented a market gain of \$31,955,808 for the quarter. Net cash flow for the period was - \$5.2 million and -\$19.4 million for 2021. Voya discussed the negative cash flow in their report (item 7 below). Loan balances were extremely low at just 0.3% of total plan balance.
  - iii. Current Fund Lineup Overview and Performance Review –
    - Hyas Group provided an overview of the Voya Fixed Account portfolio and Voya Financial ratings. The Committee requested Hyas Group provide this information at each meeting. In addition, the Committee requested Hyas Group provide year over year historical corporate ratings data for Voya Financial. Voya would also provide Hyas Group with historical market-to-book ratios for the fixed account portfolio.
    - After initial evaluation at the January planning meeting and further discussion and analysis, the Committee voted to move from the Vanguard Target Retirement Mutual Funds to the Vanguard Target Retirement Collective Investment Trusts (CITs). The move would save participants 0.005% (0.5 basis points) per year and provide an additional estimated 0.02%-0.03% (2-3 basis points) in performance. The savings and improved performance equate to approximately \$40,000-\$60,000 per year in savings for impacted participants. Hyas Group would begin the CIT paperwork process and coordinate with Vanguard, NDC Staff, and Voya as appropriate. The change was anticipated to occur in 90-120 days.

**Motion by Mr. Kruse to move the Vanguard Target Retirement Suite to Collective Investment Trusts (CITs). Second by Vice Chair Ferguson, motion passed unanimously, 5-0.**

- The Committee approved adding the Vanguard Target Retirement 2070 Trust (CIT) as soon as possible once the CIT process was complete (likely summer of 2022).

**Motion by Mr. Kruse to add the Vanguard Target Retirement 2070 Trust (CIT) once available. Second by Ms. Bowman, motion carried unanimously, 5-0.**

- The Committee approved moving the Vanguard Total International Stock Index (VTSNX) mutual fund to the Vanguard Total International Stock CIT. The move was expected to improve performance due to the tax remediation benefits available to CIT investors. Vanguard made an exception for NDC due to the relatively large allocation (53%) to Vanguard funds in the lineup. Hyas Group will begin the CIT paperwork process and coordinate with Vanguard, NDC Staff, and Voya as appropriate. The change is anticipated to occur in 90-120 days.

**Motion by Vice Chair Ferguson to change the Vanguard Total International Stock Index to the Vanguard Total International Stock CIT version. Second by Mr. Kruse, motion carried unanimously, 5-0.**

- The Committee requested Voya to provide a breakout of participants by age for each of the Target Retirement Funds. Voya would provide that information at the next meeting.
- Considering recent world events, Hyas Group provided an overview of Russian exposure within the lineup. As of March 8, no fund had more than 0.77% of exposure to Russia. The Committee thanked Hyas Group for the information.
- iv. There were no funds on watch.

- v. Plan Fee/Revenue Analysis – Fees were weighted at 27.2 basis points, down 0.6 basis points from last quarter. Vanguard Target Retirement Fund expense ratios were successfully reduced from 0.09% per fund to 0.08% per fund. As noted above, the costs would reduce further to 0.075% once the funds move to CITs.
- b. Legal and Regulatory Updates –
  - i. An update to Supreme Court case Hughes versus Northwestern where the Supreme Court dismissed the previous Seventh Circuit ruling was discussed. In that ruling the Seventh Circuit Court had determined that Northwestern acted “prudently” by making low-cost investment options available in addition to high-cost investment options. The Supreme Court noted that fiduciary duty extended beyond not only making the investments available. It also included policies necessary to evaluate and replace those investment options. A final ruling from the Supreme Court is expected by June 2022.
  - ii. An update was given regarding the concept of utilizing Defined Contribution assets to build a “bridge” to Social Security payments.
  - iii. A review of the draft Cybersecurity Policy was discussed. The current draft would be modified significantly prior to finalization. In addition, NDC Staff had started working internally with State partners to provide additional information within the policy. Hyas Group and Staff would continue to refine the draft and provide an update at the next meeting. The Committee thanked Hyas Group and NDC Staff for their work thus far.

**Motion by Vice Chair Ferguson to accept the Hyas Group report. Second by Ms. Bowman, motion passed unanimously, 5-0.**

7. For Possible Action – Receive and approve plan activity and service report from contracted recordkeeper Voya Financial for fourth quarter ending December 31, 2021.

Mr. Bishop Bastien, Mr. Darcy, and Mr. Desrosiers reviewed the Voya quarterly report and communications.

- a. Voya facilitated discussion regarding current Plan leakage. The Committee discussed refining the current process to possibly “salvage” outgoing rollouts. Currently the process did not provide Voya or Staff with much opportunity to retain rollouts. Hyas Group would provide a “Fees Matter” retention flyer for NDC Staff review and possible Committee review. Edward Jones received the most rollouts by assets and volume for the quarter.
- b. Voya Darcy provided a Communications Update.
- c. Voya provided a Digital Engagement Update.
- d. Voya provided a Field Activity Update which included:
  - i. NDC local rep positions were now fully staffed.
  - ii. For the quarter, reps enrolled 250 new participants.
  - iii. Reps provided 42 group meetings for the quarter.
  - iv. Reps also conducted 708 individual appointments.
  - v. Voya continued to work with various Nevada departments to resume in person rep site visits.

**Motion by Mr. Kruse to accept the Voya Quarterly Report. Second by Ms. Bowman, the motion passed unanimously, 5-0.**

8. For Possible Action- Receive, discuss, and approve Interlocal Contract for Kingsbury General Improvement District.

The Interlocal Contract from Kingsbury General Improvement District was reviewed and approved by the Committee.

**Motion by Vice Chair Ferguson to allow Kingsbury General Improvement District to join the plan. Second by Mr. Kruse, motion carried unanimously, 5-0.**

9. For Possible Action- Discussion on National Association of Government Defined Contribution Administrators (NAGDCA) Washington D.C. Fly-In Event and Reception June 7-8, 2022.

NAGDCA rescheduled the Washington D.C. Fly-In Reception and Event for June 7-8, 2022. Mr. Boehmer and members Kent Ervin and Matt Kruse planned to attend. A work program should cover the airfare, lodging, and per diem costs for the event.

10. For Possible Action- Election of Committee Chair and designation of Vice Chair per NRS 28.330.

**Motion by Ms. Bowman to nominate Mr. Kruse to serve as chair, second by Vice Chair Ferguson. Motion passed unanimously, 5-0.**

**Motion by Chair Ervin to nominate Mr. Ferguson to continuing serving as Vice Chair. Second by Mr. Kruse, motion passed unanimously, 5-0.**

The Committee, NDC staff, Voya, and Hyas Group all thanked Dr. Ervin for serving as Chair for the past year.

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

The upcoming Committee meeting schedule:  
Quarterly Meeting: Wednesday, May 11, 2022, held virtually  
Quarterly Meeting: Friday, August 12, 2022, in person

12. Committee Members comments

The Committee once again thanked Dr. Ervin for serving as Chair for the past year. They also thanked the presenters for their material.

13. Update from Investment Consultant

No comments.

14. Update from Recordkeeper

No comments.

15. Administrative Staff/Department of Administration Updates

Mr. Boehmer appreciated Dr. Ervin's involvement in the Program and for serving as Chair. Ms. Bowman and Mr. Ferguson both reapplied for their NDC appointments and were still waiting for confirmation.

16. Public Comment

No public comments.

17. Adjournment

The meeting was adjourned at 1:00 p.m.

Respectfully submitted,

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Micah Salerno  
NDC Administrative Assistant