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STATE OF NEVADA DEPARTMENT OF ADMINISTRATION

PUBLIC EMPLOYEES' DEFERRED COMPENSATION PROGRAM

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**DEFERRED COMPENSATION COMMITTEE
QUARTERLY MEETING MINUTES**

Wednesday, May 11, 2022

The quarterly meeting of the Deferred Compensation Committee was held on Wednesday, May 11, 2022, at 9:00 a.m. by videoconference and teleconference.

A copy of meeting material including this set of meeting minutes, the agenda, and other supporting material, is available on the Nevada Deferred Compensation (NDC) website at:

https://defcomp.nv.gov/Meetings/2022/2022_Meetings/

COMMITTEE MEMBERS

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

OTHERS PRESENT

Bishop Bastien, Voya Financial	Suzanne Olsen, Casey Neilon
Rob Boehmer, NDC Executive Officer	Henna Rasul, Sr. Deputy Attorney General
Denise Chapman, Hvas Group	Micah Salerno, NDC Admin. Assistant
Scott Darcy, Voya Financial	Audrey White, Hvas Group
Merrill Desrosiers, Voya Financial	775-887-2000, unidentified caller

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

Chairman Kruse called the quarterly meeting to order for the Nevada Deferred Compensation (NDC) Committee at 9:00 a.m. on Wednesday, May 11, 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 Marcy 10, 2022.**

Motion by Vice Chair Ferguson to approve the minutes from March 10, 2022, second by Dr. Ervin. 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 280 days' worth of cash reserves available.
 - ii. A report was given and reviewed on the Administrative Account data and General Ledger data. As of April 28, 2022, Admin Allowances were \$330,839 for full-time Plans and \$20,100 for the FICA Alternative Plan.

Mr. Boehmer noted a work program was approved for Out-of-state travel and another work program was in progress to add funds in Category 04 for the temporary services contract and Category 26 for printer toner. Documentation would be submitted for the legislative session to add another full-time position for the NDC office as well as reclassification of Ms. Salerno's position to allow for succession planning.

- b. Quarterly Plan Activity and Data Report was received and discussed.
- c. Executive Branch Audit Report – the proposed language for revising the NDC statute was reviewed by Internal Audits Division. They gave a green light to move forward with a workshop followed by a hearing. Mr. Boehmer would work with DAG Rasul to schedule those meetings.
- d. Contract Management Report -
 - i. Casey Neilon Annual Evaluation- Contract expiration 07/31/2023. An evaluation for the financial auditor would be provided at the next meeting.
 - ii. Hyas Group- Contract expiration 05/31/2025
 - iii. Voya Financial- Contract expiration 12/31/2024

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

5. For Possible Action- Receive FY2021 Financial Audit Report and Financial Statements prepared and issued by Casey Neilon for NDC Voluntary and FICA Alternative Plans

The FY2021 Financial Audit Report and Financial Statements that were prepared and issued by Casey Neilon were received and discussed. Casey Neilon generally determined that the 457b and FICA Alternative Plan financial statements presented fairly, in all material respects, the fiduciary net position of the plan as of June 30, 2021, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America. They did not identify any problems with any of the payroll centers and the communication letter showed they did not encounter any issues and there were no uncorrected or corrected misstatements. For future audits, the Committee supported receiving a draft of the audit report for presentation so they could add any clarifying statements, if needed, before the draft was finalized.

Motion by Dr. Ervin to accept the financial audit reports. Second by Ms. Bowman, motion carried unanimously, 5-0.

6. For Possible Action- Receive and approve Hyas Group Investment Consultant's review of first quarter 2022.

Hyas Group provided the Investment Consultant Review which included:

- a. The First Quarter 2022 Performance Report – Features of the report were:
 - i. Market Commentary – It was a tough start for 2022. Equity and fixed income markets were jittery. Inflation, war in Ukraine, and a persistent pandemic had rattled investors across the globe. In the first quarter of 2020, similar volatility and jitteriness started the year. The VIX (volatility index) spiked, and investors were rattled, but retirement plan participants stayed the course and had since reaped the benefits of a nearly two-year bull market run.
 - ii. Plan Data Review – March 31, 2022, full-time Plans' assets were \$1,048,844,434 which represented a market loss of \$58,533,353 for the quarter. Net cash flow year to date was -\$4.2 million.
 - iii. Current Fund Lineup Overview and Performance Review –
 - MFS Value R4: The Fund was trailing the peer group for the five-year period but was outperforming the benchmark by 0.30%
 - T. Rowe Price Growth Stock I: The Fund was in violation of the Investment Policy Statement due to underperformance. Hyas Group's research team met with their senior analysts to discuss two weeks ago. The Fund lagged primarily due to being underweight in Apple and Tesla stock, however they stayed true to their investment strategy and Hyas Group felt comfortable with their position. The Committee voted to place this Fund on watch status.
 - Vanguard Target Retirement 2015: The Fund was in violation of the investment Policy Statement due to underperformance, but it was noted that the Fund would be automatically merging to the Vanguard Target Retirement Income Fund mid-July 2022. The Committee voted to place the Fund on watch status.
 - iv. Plan Fee/Revenue Analysis – Fees were weighted at 27.4 basis points, up 0.2 basis points from last quarter.
 - Hyas Group provided a Russian investment exposure update. As of March 31, no fund had more than 0.13% of exposure to Russia.
- b. Legal and Regulatory Updates –
 - i. An update regarding the DOL's rather aggressive and unorthodox position on crypto currency in retirement plans was provided. The US Chamber of Commerce and industry record keepers came out in response to the DOL's position. The topic should garner more than its share of headlines in the coming months.
 - ii. SECURE Act 2.0 was expected to pass in "lame duck" session of congress toward the end of 2022. The legislation had already passed the House 414-5 but needed Senate approval which was not expected until after election season. Most major 457-related provisions – Roth catch-up contributions, extension of Required Minimum Distributions, waiver of the first of the month rule – were expected to pass. Hyas Group would find out if the current SECURE 2.0 bill included an exemption in RMDs for participants with \$200K or less and would let Mr. Boehmer know their findings.
- c. Investment Policy Statement – The Committee approved Hyas Group's recommended updates to the IPS. Hyas Group would provide an updated, clean version for the Committee's records.
- d. Hyas Group provided a retention flyer/communication piece for participants. The Committee liked the piece but suggested a few edits to the header along with some additional text in the body. Hyas Group would update the piece and review again at the August meeting.

Motion by Dr. Ervin to accept the Hyas Group report and include T. Rowe Price and Vanguard Target Retirement 2015 funds on watch. Second by Vice Chair Ferguson, motion passed unanimously, 5-0.

Motion by Dr. Ervin to approve the Investment Policy Statement modifications as presented. Second by Vice Chair Ferguson, motion carried unanimously, 5-0.

Chair Kruse called a 5-minute break.

7. For Possible Action – Receive and approve plan activity and service report from recordkeeper Voya Financial for first quarter 2022.

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

- a. Voya reviewed quarterly data including the plan summary showing a \$58 million decrease due to market activity. Distributions, rollovers in and out of the plan, and participant account activity were covered.
- b. A Communications Update was provided including new research and outreach for the “Sandwich Caregivers” and “Career Extenders” groups of participants.
- c. Voya reviewed field service activities and an analysis report of target date funds usage. The analysis showed that of the participants who were 100% invested in target date funds, 46% were in the incorrect fund. This was likely due to the addition of the full suite of funds only becoming available in the past few years.

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

8. For Possible Action- Receive and discuss DRAFT Opt-Out/Auto Enrollment/Escalation Bill/White Paper for upcoming 2024/2025 Budget Build.

Mr. Boehmer initially expected the Opt-Out White Paper to be due on May 6 but the date had been moved to mid-July so there was time to review and make changes as needed.

Dr. Ervin stated there should be an estimate of how expenses would be used since revenue estimates projected a tripling of fees. Ideally, some of the cost would be returned to participants by lower fees but the paper should reflect the costs of increased workload, staff, larger office space etc. A dynamic, one-page summary should be created for legislators to capture the major details.

Mr. Boehmer and DAG Rasul would work together on language.

No action was needed but comments and suggestions would be implemented from the discussion.

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.

Mr. Boehmer, Dr. Ervin, and Chair Kruse were planning to attend the NAGDCA Washington, D.C. Fly-In Reception and Event for June 7-8, 2022.

10. 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: Friday, August 12, 2022, in person

Quarterly Meeting: Friday, November 18, 2022, virtual

11. Committee Members comments

The Committee thanked the presenters for the material.

12. Update from Investment Consultant

No comments.

13. Update from Recordkeeper

No comments.

14. Administrative Staff/Department of Administration Updates

Mr. Boehmer noted that Ms. Bowman and Mr. Ferguson received their reappointments. He thanked all of the Committee for their time and dedication to serving the NDC Program.

15. Public Comment

There were no closing public comments.

16. Adjournment

The meeting was adjourned at 12:43 p.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant