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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**

Friday, August 12, 2022

The quarterly meeting of the Deferred Compensation Committee was held on Friday, August 12, 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
Kent Ervin
Jeff Ferguson, Vice Chair
Matt Kruse, Chair

OTHERS PRESENT

Bishop Bastien, Voya Financial	Scott Darcy, Voya Financial
Asheesh Bhalla, Deputy Attorney General	Charles Griffin, Voya Financial
Rob Boehmer, NDC Executive Officer	Micah Salerno, NDC Admin. Assistant
Rasch Cousineau, Hyas Group	

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

Chairman Kruse called the quarterly meeting to order for the Nevada Deferred Compensation (NDC) Committee at 9:01 a.m. on Friday, August 12, 2022.

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

Ms. Chang was excused from the meeting due to work travel.

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 May 10, 2022.**

Motion by Vice Chair Ferguson to approve the minutes from May 11, 2022, second by Ms. Bowman. Motion passed unanimously, 4-0.

4. For Possible Action- Receive, discuss, and approve Executive Officer Report of second quarter 2022.

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. The budget could be adjusted to accommodate an increase in out of state travel (training) versus recent years where there was no travel due to COVID.
 - ii. A report was given and reviewed on the Administrative Account data and General Ledger data. As of August 2, 2022, Admin Allowances were \$301,198 for full-time Plans and \$17,819 for the FICA Alternative Plan.
- b. Quarterly Plan Activity and Data Report was received and discussed. Year-to-date enrollments were 517, down 38 from 2021's half-year totals.
- c. Executive Branch Audit Report was discussed. A small business impact assessment had been conducted.
 - i. A regulation workshop would be scheduled sometime in September or October 2022.
 - ii. A regulation hearing was approved to be part of the November 18, 2022, quarterly Committee meeting.
- d. Contract Management Report -
 - i. Casey Neilon Annual Evaluation- Contract expiration 07/31/2023. A vendor rating was provided and discussed showing a standard rating of 1.88. The firm received below standard marks for their timeliness of reporting. This was primarily due to key personnel turnover as noted in the vendor rating report.
- e. The NAGDCA Leadership in Excellence Awards results were shared. NDC won an award for its National Retirement Security Month submission.

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

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

Hyas Group provided the Investment Consultant Review which included:

- a. The Second Quarter 2022 Performance Report – Features of the report were:
 - i. Market Commentary – The second quarter of 2022 was not pretty. Facing significant inflationary headwinds and flirting with recession, all major stock market indices entered bear market territory at some point. A bear market was defined as a 20 percent decline from its previous high. The S&P 500 Large Cap Index ended the quarter with a 16.10% loss, 20.6% off its high from 2021 and down 19.96% for 2022. The 2020 COVID downturn demonstrated that participants were resilient, willing to stay the course.
 - ii. Plan Data Review – June 30, 2022, full-time Plans' assets were \$944,254,318 which represented a market loss of \$104,590,116 for the quarter. Voya noted that Plan assets were back over \$1 billion as of August 11 at \$1.060 billion. Net cash flow was back on track for the quarter at \$1.7 million. Year-to-date cash flow was still negative at -\$2,531,163. Despite all the negativity and volatility in the Second Quarter, NDC participants stayed the course with only 0.05% (\$4.7 million) transferred to fixed income.
 - iii. Current Fund Lineup Overview and Performance Review –
 - Collective Investment Trusts (CITs): The Vanguard Total International Stock Index (VTSNX) and Vanguard Target Retirement Funds would map to their

- respective CITs on October 7. Voya confirmed they would provide participant communication around Labor Day.
- Voya Fixed Account and Corporate Ratings Analysis: Due to the early timing of the quarterly meeting, the information for the analysis was not yet available. Hyas Group would gather the data from Voya when available (likely by the end of August) and provide the updated analysis to NDC staff for distribution to the Committee.
- iv. Fund Watch List Review –
- T. Rowe Price Growth Stock I: The fund was placed on watch last quarter due to underperformance. Performance over the last year had struggled due to their security selection, specifically within consumer cyclical and technology. Their overweight to Rivian detracted nearly 300 basis points of performance on its own while their underweight to Tesla detracted about 100 basis points. The Committee agreed with Hyas Group’s recommendation to hold the fund on watch. The Committee requested Hyas Group prepare a search document to potentially replace the fund at the next meeting. The Committee requested that the search include a passive large cap growth option.
 - Vanguard Target Retirement 2015: The fund was placed on watch last quarter due to underperformance. In July the fund automatically merged into the Vanguard Target Retirement Income Fund. No action was necessary.
- v. Plan Fee/Revenue Analysis – Fees were weighted at 28.7 basis points, up 1.3 basis points from last quarter. The increase was due to market activity which resulted in a larger Voya Fixed Account allocation. At an estimated 0.40%, the Voya Fixed Account was one of the higher cost investment options within NDC.
- b. Legal and Regulatory Updates –
- i. An overview of legislation leading to SECURE 2.0 was provided. Specifically, the Senate Finance Committee’s EARN Act was discussed. Provisions from the Bill primarily impacted small 401(k) Plans. Those provisions along with provisions from other Senate Committee Bills (“RISE” and “SHINE”) might eventually make it into SECURE 2.0 along with other remaining provisions including:
 - Expansion of RMDs from 72 to 75 in a staggered structure
 - Elimination of the 457 first-of-the-month rule
 - “Rothification” of catch-up contributions
 - ii. The Sixth Circuit Court dismissed an ERISA Fiduciary Breach lawsuit citing “apples and oranges” comparisons utilized to make the case against the plan sponsor.
 - iii. Retirement Plan Fiduciaries faced an increasingly complex consultant/adviser landscape as some consulting fee structures became more complicated and lead to potential conflicts.
 - iv. An update on the draft Cybersecurity Policy was provided. NDC would provide recently received internal comments. Hyas Group and NDC’s goal was to have a near final Cybersecurity Policy Statement by the January 12, 2023, Planning Meeting.
 - v. Hyas Group provided an updated retention flyer/communication piece for participants which included the Committee’s suggestions from the last meeting. The Committee approved making the document available to participants as soon as efficiently possible.

Motion by Dr. Ervin to accept the Hyas Group report. Second by Ms. Bowman, motion passed unanimously, 4-0.

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

Mr. Bishop Bastien and Mr. Darcy provided their Second Quarter 2022 Report for the period ending June 30, 2022. Highlights included:

- a. A special report from Voya's Charles Griffin on cybersecurity was provided including an overview on Voya's cybersecurity policies as well as its S.A.F.E. guarantee.
- b. Voya Plan activity –
 - i. Asset trends: Distributions were down about \$5 million from last quarter.
 - ii. Voya also provided details regarding sources for Plan rollouts.
- c. Voya Digital Engagement review –
 - i. 9,400/16,801 (55%) of participants were age 50 or older.
 - ii. 50% of participants had registered online. The average for government plans was between 50% and 65%.
 - iii. The annual NDC survey would be open from mid-August to late- September.
 - iv. Nevada Saves Month was planned for October.
- d. Voya Field activity update –
 - i. 69 group meeting and 1,425 individual meetings were conducted during the quarter.

Mr. Bastien shared an invitation for Mr. Boehmer to attend a Voya Advisory Board meeting in October. Flights, transportation costs, and hotel would have to be covered by the Plan, but registration and meals would be provided by Voya during the meetings.

The Committee felt it would be advantageous for Mr. Boehmer to attend and requested that he do everything he can to attend. Mr. Boehmer recommended he get support from the Director of Department of Administration before committing to the attendance. The Deputy Attorney General did not see a conflict of interest with attendance, but cautioned to always be cognizant of donations of goods and how it affected the bias of individuals involved. Mr. Boehmer stated that we would likely need to do a work program to bring in authority to cover expenses and it was a short turnaround time, but he would do everything administratively possible to make it happen if the Director's office sustained the decision to attend.

Motion by Dr. Ervin to accept the Voya Quarterly Report. Second by Vice Chair Ferguson.

Dr. Ervin asked Voya to include information they previously had in their report tracking participant enrollment year over year as it was part of the service agreement to increase enrollment. Mr. Bastien agreed to include that data in future reports.

The vote was taken, and the motion passed unanimously, 4-0.

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

An update was provided with highlights including:

- a. Review of the executive summary – It was noted there had been changes at the Governor's Finance Office which could impact the timeline for the bill. The Committee asked NDC Staff to clarify who the State would make the final decision regarding its inclusion for passage.
- b. A report on the status – The Bill was cautiously expected to be finalized by October for inclusion in the Governor's package to the Legislature.

No action was needed but Vice Chair Ferguson offered his assistance answering questions and helping with wording and perception as he had experience with the legislative process.

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

Motion by Dr. Ervin to approve the Interlocal FICA Contract. Second by Vice Chair Ferguson, motion carried unanimously, 4-0.

9. For Possible Action- Discussion on National Association of Government Defined Contribution Administrators (NAGDCA) Annual Conference, September 18-21, 2022.

The NAGDCA Annual Conference would be held in Baltimore, Maryland, September 18-21, 2022. NDC attendees currently included Mr. Boehmer, Ms. Bowman, and Vice Chair Ferguson.

10. For Possible Action- Confirm next quarterly NDC meeting scheduled for November 18, 2022 and consider scheduling the Annual Planning Meeting for January 2023 timeframe. Schedule Quarterly Committee meeting and/or any special meetings.

The upcoming Committee meeting schedule:
Quarterly Meeting: Friday, November 18, 2022, virtual
Annual Planning Meeting: Thursday, January 12, 2023, in person

11. Committee Members comments

The Committee noted the recent attendees at the NAGDCA Fly-In sessions in Washington DC. The Committee also congratulated NDC for the NAGDCA award and thanked the presenters for the material.

12. Update from Investment Consultant

Hyas Group provided additional details regarding the T. Rowe Price Growth Fund. The fund was highly concentrated with 48% of assets represented by the top 10 holdings as of June 30, 2022.

13. Update from Recordkeeper

No comments.

14. Administrative Staff/Department of Administration Updates

Mr. Boehmer thanked the Committee members, Hyas Group, and Voya and appreciated Mr. Griffin presenting.

15. Public Comment

There were no closing public comments.

16. Adjournment

The meeting was adjourned at 12:26 p.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant