



Joe Lombardo
Governor

Jack Robb
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
QUARTERLY MEETING MINUTES**

Friday, December 1, 2023

The quarterly meeting of the Deferred Compensation Committee was held on Friday, December 1, 2023, 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/2023/2023_Meetings/.

COMMITTEE MEMBERS

Samantha Jayme
Debbie Bowman, Vice Chair
Jeff Ferguson, Chair

OTHERS PRESENT

Bishop Bastien, Voya Financial
Rob Boehmer, NDC Executive Officer
Rasch Cousineau, Hyas Group
Scott Darcy, Voya Financial
Eric Leavitt, Empower

Robin Monchamp, Humboldt County
Henna Rasul, Sr. Deputy Attorney General
Micah Salerno, NDC Admin. Assistant
442-291-4999

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

Chairman Ferguson called the quarterly meeting to order for the Nevada Deferred Compensation (NDC) Committee at 8:30 a.m. on Friday, December 1, 2023.

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

Chair Ferguson welcomed new NDC member, Samantha Jayme.

2. **Public Comment**

There were no public comments.

3. **For Possible Action- Approval of Nevada Public Employees' Deferred Compensation Program (NDC) Committee (Committee) meeting minutes for Committee Meeting held on August 30, 2023.**

**Motion by Vice Chair Bowman to approve the minutes from the August 30, 2023, meeting.
Second by Ms. Jayme. Motion passed unanimously, 3-0.**

4. For Possible Action- Receive, discuss, and approve Executive Officer Report of third quarter 2023.

Mr. Boehmer reviewed his quarterly report including:

- a. FY2023 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 FY2024. The projected 2024/2025 revenue shortfall was expected to be filled by fees coming from new enrollments.
 - ii. The FY2023 Budget Status Report was presented reflecting the end of FY2023 budget year.
 - iii. A report was given and reviewed on the Administrative Account data and General Ledger data. As of November 6, 2023, Admin Allowances were \$290,274 for Full-Time Plans and \$33,865 for the FICA Alternative Plan. Mr. Boehmer requested Hyas Group provide a fee analysis to determine the appropriateness of current plan admin fees and whether it was enough to cover expenses.
 - iv. Current expenses and reserve details:
 - a) Expenses: \$555,340 total (\$523,243 for 457 Plan and \$32,097 for FICA alternative)
 - b) Reserve: \$73,073 total (\$71,730 for 457 Plan and \$1,343 for FICA Alternative)
 - c) Expenses + Reserve total \$628,413 (\$594,973 for 457 Plan and \$33,440 for FICA Alternative)
 - d) The 401(a) Plan would have its own (minimal) expenses and reserve account.
 - v. Current admin fees:
 - a) 457(b) Plan Administrative Fees: Effective January 1, 2020, a \$10.25 administrative flat per-account charge (\$41 per year) would be withdrawn quarterly for all participants with a total account balance of \$1,000 or more, regardless of how they were invested. 457(b) Plan Administrative Fees did not subsidize the 3121 FICA Alternative Plan. Ideally 401(a) admin fees would match the 457(b) Plan but also not subsidize the Plan and vice versa.
 - b) 3121 FICA Alternative Plan Administrative Fees: Effective January 1, 2020, a \$0.55 administrative flat per-account charge (\$2.20 per year) would be withdrawn quarterly for all participants. 3121 FICA Alternative Plan Administrative Fees did not subsidize the 457(b) Plan.
- b. The Quarterly Plan Activity and Data Report was received and discussed. Year-to-date enrollments were 889, which was 95 above last year's total (794) at that time.
- c. Contract Management Report -
 - i. Casey Neilon Annual Evaluation- Contract expiration July 1, 2025.
 - a) The Fiscal Year 2023 Financial Audit started in September. Reports should be shared at the January meeting.
 - ii. Hyas Group contract would expire May 31, 2025
 - iii. Voya Financial contract would expire December 31, 2024.
 - a) A report was provided on the development of the 2024 RFP.

1. It was noted there could be three separate contracts, one for each plan: 457(b) Deferred Compensation, FICA Alternative, and the new 401(a) Defined Contribution Plan. That structure would ensure no subsidization of Plan fees.
 2. The evaluation Committee would consist of an outside evaluator, likely from NV PERS, staff, and Committee members.
- d. Mr. Boehmer reported on staff changes at the NDC Administrative Office.
- i. A report on the office move was provided. An office move was expected in the coming quarter. Once NDC was housed in the new space, address changes would be sent out to appropriate parties: investment managers, recordkeepers, industry organizations, etc.
 - ii. Staff updated the Committee of the search to fill the two vacant Committee positions. The goal was to fill the vacancy left by Matt Kruse with another Political Subdivision representative, preferably from public safety, since they were large contributors to NDC. Regarding Kent Ervin's vacancy, the goal was to fill that position with another NSHE representative.
 - iii. NV DAG representative, Henna Rasul, noted that with two vacancies and only three currently filled positions, quorum rules were modified. Only two-thirds of members needed to be present for a quorum with only three spots filled.

Motion by Ms. Jayme to approve the Executive Officer report. Second by Vice Chair Bowman, motion carried unanimously, 3-0.

5. For Possible Action- Receive and approve Hyas Group Investment Consultant's review of third quarter 2023.

Hyas Group provided the Investment Consultant Review which included:

- a. The Third Quarter 2023 Performance Report – Features of the report were:
 - i. Market Commentary – After two strong quarters to kick start 2023, the third quarter was down. Historically the weakest quarter for the markets, Q3 2023 was no different. Major benchmarks were all down for the period. The S&P 500, MSCI-ACWI ex-US, and Bloomberg Agg were down 3.27%, 3.77%, and 3.23% respectively. Even with the negativity, equity returns were up. The S&P was still ahead 13.07% year-to-date and the MSCI-ACWI ex-U.S. was up 5.34%. Of the three noted benchmarks, only the Bloomberg Agg Fixed Income index was down for the year at -1.21% through 09/30. Fixed Income had been an uphill battle to turn positive. Any upside momentum was quickly squashed by policymakers. The Federal Reserve and other central banks seemed intent to keep interest rates higher for longer to fight inflation. Even though the US Fed finally hit the pause button on its rate hikes, the European Central Bank continued to tighten in September, bringing rates to the highest level since the creation of the eurozone. Retailers, home builders, airlines, and the hospitality industry were cautioning that the consumer may have hit the limit. All these factors lead to a number of questions regarding holiday season spending, interest rates, fixed income and equity markets, continued war in Ukraine and conflict in the Middle East – how will all of this weigh on markets? We will see how the fourth quarter is impacted by these questions.
 - ii. Plan Data Review – September 30, 2023, full-time Plans' assets were \$994,643,677 which represented a market loss of \$26,985,278 for the quarter. Net cash flow was negative for the quarter and year-to-date at -\$6,157,760 and

- negative year-to-date at -\$15,902,804. For the Third Quarter, \$1,319,429 transferred out of fixed income.
- iii. Current Fund Lineup Overview and Performance Review – All funds were in qualitative and quantitative compliance.
 - iv. Plan Fee/Revenue Analysis – Fees were weighted at 26.8 basis points, down by 6.7 basis points since March of 2020. The reduction equates to \$34,000 in savings per month for NDC participants.
- b. The Voya Fixed Account and Corporate Ratings Analysis was reviewed and discussed. 33% of NDC money was invested in this fund.
- i. The General Account benchmark was provided. The Voya General Account was underweight to US Government securities by 43.6% and overweight to MBS, Corporate Bonds, ABS, and CMBS by 4%, 7.5%, 5.4%, and 8%, respectively.
 - ii. Portfolio duration was provided (6 – 6.5 years).
 - iii. Full Time Plans crediting rate was 3.0%. FICA Alternative was 2.25%.
 - iv. The put notification to possibly exit the Fixed Fund by 12/31/2024 needed to be submitted to Voya by 12/15/2023. The put draft had been provided to NDC by Hyas Group.
- c. Legal, Regulatory Communication Updates which included:
- i. SECURE Act 2.0 – The IRS announced a 2-year administrative delay on Section 603 of SECURE Act 2.0 until January 1, 2026. This was the provision that required age 50+ catch-up contributions to be made on a Roth basis for an individual earning over \$145,000 in prior year wages. The provision was initially set to take effect on January 1, 2024. This was generally a good thing for plan sponsors as it allowed more time to prepare for the regulation to go into effect. Part of the update was that Plans who were FICA exempt (NDC) might also be exempt from Provision 603 altogether. Further clarification about the FICA exemption was being obtained by legal firms such as Groom Law Group. Hyas Group would share more information as additional guidance was provided.
 - ii. 2024 Plan limits were announced:
 - a) 457 limits would be increased to \$23,000 from \$22,500
 - b) The annual IRA contribution would increase to \$7,000 from \$6,500.
 - c) Catch-up contributions for those 50 years and older in DC plans would remain at \$7,500, adding up to a total allowed annual contribution of \$30,500 for qualifying DC plans.
 - d) The super catch-up contribution provision in the SECURE 2.0 Act of 2022 would not take effect until 2025. When it does go into effect, it would permit those aged from 60 through 64 to contribute the greater of \$10,000 or half the ordinary catch-up amount (currently \$7,500), both of which would be indexed to inflation starting in 2026.
 - e) The income phase-out range for taxpayers making contributions to a Roth IRA would increase to between \$146,000 and \$161,000 for singles and heads of household, up from between \$138,000 and \$153,000.

The White House (re) introduced a Fiduciary Rule targeting “junk fees” in retirement plans and expanded the rule to include travel and ticketing fees. Regarding retirement plans, the focus was on independent advisers rolling money away from institutionally priced retirement plans and holding those advisers accountable from a Fiduciary perspective. The White House issued a fact sheet estimating participants pay as much as \$5 billion per year in “junk fees.” The rule was expected to be challenged immediately and would likely take years to implement, if at all.

- d. Recordkeeper RFP update was provided:
 - i. The goal was to have the document out by February 2024.
 - ii. An RFP draft had been sent to Staff for review.
 - iii. The RFP would include 457(b), 401(a), and FICA Alternative Plans.
 - iv. Voya required the Fixed Account put notification by 12/15/2023.
- e. 401(a) Plan updated included:
 - i. Voya noted the Plan would be live 12/04/2023.
 - ii. Due to Vanguard's 90-day processing requirement, the initial 401(a) Plan fund lineup would include Mutual Funds only. Collective Trusts would replace Mutual Funds in the International Index and Target Retirement Suite by March, as appropriate.
 - iii. 401(a) contract terms matched the 457 Plan.

Motion by Vice Chair Bowman to accept the Hyas Group report. Second, by Ms. Jayme, motion carried unanimously, 3-0.

6. For Possible Action – Receive and approve plan activity and service report from recordkeeper Voya Financial for third quarter 2023.

Mr. Bastien and Mr. Darcy provided the third quarter 2023 report for the period ending September 30, 2023. Highlights included:

- a. Voya Plan activity:
 - i. November 30, 2023, assets were back over \$1 billion.
 - ii. Overall net cash flow was negative (\$6.1 million) for the quarter and down \$15.9 million year-to-date.
 - iii. Top rollover recipients were Fidelity and Charles Schwab and Edward Jones.
- b. Voya provided a Communications update that included:
 - i. An overview of the new customer homepage experience was provided.
 - 1. Previous Employer accounts would be included on the participant dashboard.
 - 2. "My Orange Money" would still be featured but also reduced.
 - 3. Voya local representative information would be provided consistently during the experience.
 - ii. The NDC annual survey was issued in November and closed 11/30/2023. In the past it had been issued in August/September. Voya noted that satisfaction was high and would share the results at the January Planning Meeting.
- c. Voya Field activity update:
 - i. 388 enrollments, 92 group meetings and 1,888 individual meetings were conducted during the quarter.

Motion by Ms. Jayme to accept the Voya Quarterly Report. Second, Vice Chair Bowman, the motion passed unanimously, 3-0.

7. Informational Item- Training Report.

The following training and educational experiences were reported:

- a. The Institutional Investor Institute Conference held in Half Moon Bay, CA on September 12-14, 2023, was attended by Chair Ferguson and Rob Boehmer
- b. The NAGDCA 2023 Annual Conference was held in Seattle, WA on October 8-11, 2023, and was attended by Chair Ferguson, Committee member Samantha Jayme, Rob Boehmer, and former Committee member Kent Ervin.

- c. The Pension and Investments DC West Conference was held in Carlsbad, CA on October 22-24, 2023, Rob Boehmer attended.
- d. It was noted that common themes throughout the conferences included cybersecurity, RFP discussion, auto enrollment, employee engagement, decumulation, and SECURE 2.0.

8. For Possible Action- Confirm Planning Meeting for January 18, 2024, and Quarterly Meeting for February 29, 2024. Schedule any special meetings.

The upcoming Committee meeting schedule:

- a. The 2024 Annual Planning Meeting would be held in person and by videoconference on January 18, 2024.
- b. Quarterly Meeting would be held on February 29, 2024.
- c. The Committee might have special meetings to discuss the recordkeeping RFP as necessary.

9. Committee Members comments

There were no additional Committee Member comments.

10. Update from Investment Consultant

There were no additional updates from Hyas Group.

11. Update from Recordkeeper

There were no additional updates from Voya.

12. Administrative Staff/Department of Administration Updates

NDC staff thanked the Committee members, Hyas Group, and Voya. Mr. Boehmer noted he would be presenting at the upcoming training for State Parks employees in February.

13. Public Comment

There were no closing public comments.

14. Adjournment

The meeting was adjourned at 11:00 a.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant