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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**

Thursday, August 29, 2024

The quarterly meeting of the Deferred Compensation Committee was held on Thursday, August 29, 2024, at 9:00 a.m. by videoconference/teleconference and in person at the Nevada State Library and Archives Building, 100 N. Stewart Street, Boardroom, Carson City, Nevada.

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/2024/2024_Meetings/.

COMMITTEE MEMBERS

Robin Hager

Samantha Jayme

Debbie Bowman, Vice Chair

Jeff Ferguson, Chair

OTHERS PRESENT

Lauren Anderson, Reno Tahoe Visitor's Authority

Bishop Bastien, Voya Financial

Rob Boehmer, NDC Executive Officer

Rasch Cousineau, Hyas Group

Henna Rasul, Sr. Deputy Attorney General

Micah Salerno, NDC

775-887-2355

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

Chairman Jeff Ferguson called the meeting to order for the Nevada Deferred Compensation (NDC) Committee at 9:00 a.m. on Thursday, August 29, 2024.

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

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 June 12, 2024.**

Motion by Vice Chair Bowman to approve the minutes from the June 12, 2024, meeting. Second by Ms. Jayme, the motion passed unanimously, 4-0.

4. For Possible Action – Receive, discuss, and approve Executive Officer’s Report of second quarter 2024.

Mr. Boehmer reviewed his quarterly report including:

- a. The FY2024 and FY2025 Budget Status Reports (BSR) were provided.
 - i. Current projections of revenue based on up-to-date participant level and of expected reserve balance at the end of FY2024 and 2025 were reported and reviewed. Staff noted how NDC’s reserve structure was unique in that excess reserves did not carry over to the extent they did at other agencies.
 - ii. The Administrative Account data and General Ledger were reported and reviewed.
 - iii. The vacant Committee position was expected to be filled by September. There were three candidates that applied for the position.
 - iv. Ms. Jayme’s term was renewed for another four years.
- b. The Quarterly Plan Activity and Data Report was received and discussed. 2024 year-to-date enrollments were ahead by 246 when compared to the first half of 2023.
- c. Contract Management report.
 - Casey Neilon’s current contract would expire on July 1, 2025. Casey Neilon received a standard rating on the most recent evaluation. Staff reminded all vendors to ensure they maintain accurate records with NDC and the State including banking information changes. The vendor is responsible for updating the information with the State Controller’s Office Vendor Services.
 - Hyas Group’s contract would expire May 31, 2025. Staff and the Committee discussed the possibility of a five-year extension. Hyas Group would provide an updated price for NDC’s consideration in the coming weeks.
 - Voya Financial’s contract would expire December 31, 2024. Voya’s contract renewal was approved as a result of the recent RFP and their new contract would begin January 1, 2025, and extend through December 31, 2029. NDC Staff were researching possible contract extensions beyond 2029.
- d. The 2026/2027 Budget Build Report was received. Future items included possible auto-enrollment and a State-sponsored Individual Retirement Account (IRA). Staff also discussed recent success from the updated messaging and presentations provided to State of Nevada employees.
- e. A litigation report was provided by DAG Henna Rasul.

Motion by Ms. Jayme to accept the Executive Officer report, second by Vice Chair Bowman. The motion passed unanimously, 4-0.

5. For Possible Action – Receive and approve Hyas Group Investment Consultant’s review of second quarter 2024.

Hyas Group provided the Investment Consultant Review which included:

- a. The Second Quarter 2024 Performance Report – Features of the report were:
 - i. Market Commentary – The S&P 500, arguably the world’s most influential index, included the largest 500 US stocks, known as large caps. As of June 30, 2024, the S&P 500’s three largest holdings – Microsoft (7.25%), NVIDIA (6.63%), and Apple (6.62%) – accounted for 20.5% of the index weight. Furthermore, as of June 30, these three stocks accounted for nearly half of the indices 15.29% return year-to-date (YTD). NVIDIA alone had returned 150.4% YTD. The S&P “three” were large company US growth stocks. And their large cap US growth peers continued to outperform. Over the past year, large cap stocks (S&P 500) had outperformed small cap stocks (Russell 2000) by 14.50% and growth stocks (Russell 3000

- Growth) had outperformed value stocks (Russell 3000 Value) by 19.28%. Furthermore, US stocks (S&P 500) outpaced international stocks for the past year. Large cap growth stocks have dominated the equity markets for well over the past ten years. As a result, the outperformance of US large caps over small caps is now at its most extreme level in 25 years. The last time we saw this kind of large cap runup (1999), it was followed by a 7-year stretch where small caps outperformed large caps by a wide margin, 90% to 11%. Similarly, growth's outperformance over value was now at its highest level since 2000. Past performance was no indication of future results. Participants should be selling high, buying low, diversifying, and assessing their risk tolerances. As sound Fiduciaries, we must look out for Plan participants, ensuring they have professionally monitored, competitively priced investment options.
- ii. Plan Data Review – June 30, 2024, full-time Plans' assets were \$1,131,126,682 which represented a market gain of \$12,984,703 for the quarter. Net cash flow was negative for the quarter at (\$2,738,631) and year-to-date at (\$8,266,075). For the Second Quarter, \$201,220 transferred into fixed income.
 - iii. Current Fund Lineup Overview and Performance Review –
 - a) The 401(a) Vanguard Target Retirement CITs were successfully added to the lineup on July 23, 2024.
 - b) Sterling Capital Total Return Bond (STRDX) was placed on watch 4Q 2023 for qualitative reasons (ownership change) and the strategy continued to roll along. Hyas Group had no concerns regarding performance. Ideally, they would be able to take the strategy off watch soon but for now they would continue to monitor the company structure as they go through the sale. The fund remained on watch, but no action was required. Hyas Group would provide an update at the next meeting.
 - c) MFS Value (MEIJX) – This fund warranted “caution” due to its trailing five-year peer group ranking (#62). The fund's sluggish performance was due primarily to relative overweight to International (+7%). The fund was technically in compliance since it was still beating the Russell 1000 benchmark by 0.16% for the trailing five-year performance. No action was required.
 - d) American Funds EuroPacific Growth (RERGX) – This fund also warranted “caution” due to its trailing five-year peer group ranking (#52). Its underperformance was due in part to cash and China allocations (3% to each). Like MFS Value, the fund was also in compliance due to outperformance versus the benchmark for the trailing five-year period. EuroPacific Growth outperformed the benchmark (MSCI-ACWI ex US NET) by 0.50% for the trailing five years. No action was required. Hyas Group would provide an update at the next meeting.
 - iv. Plan Fee/Revenue Analysis – Fees were weighted at 25.0 basis points, down by 7.7 basis points since December 31, 2020. Additional savings totals were provided to the Committee and Staff:
 - a) Since 2020, estimated fee savings for NDC participants was over \$2,633,000.
 - b) Ongoing annual savings now equaled more than \$879,000 per year (estimated) when compared to previous fees and based on June 30, 2024, assets.
 - c) The new Voya contract would begin in January of 2025. Voya's recordkeeping fees would reduce by another estimated 62%. The 62% reduction equaled another estimated \$247,000 per year in savings for annual savings of more than \$1,126,000 per year beginning January 1, 2025, when compared with 2020 fees.

- d) In addition to fee savings, the new Voya contract would increase the Fixed Account rate from 3% to 3.6% which would add another estimated \$1.9 million in additional savings for participants in the Fixed Account.
 - e) Beginning in 2025, estimated annual savings for NDC participants when adding fee reductions and increased interest rates would be an estimated \$3,026,000 per year when compared to 2020 fees and rates.
 - f) The estimated \$3,026,000 per year equals more than \$15 million additional dollars in NDC participant accounts over the course of the five-year Voya contract.
- b. The Quarterly Voya Fixed Account and Corporate Ratings Analysis (as of March 31, 2024) was reviewed and discussed.
- i. The General Account benchmark was provided. The Voya General Account was underweighted to US Government securities by 44.1% and overweight to MBS, Corporate Bonds, ABS, and CMBS by 3.3%, 8.8%, 5.4%, and 8.1%, respectively.
 - ii. Portfolio duration was provided (6.0-6.5 years).
 - iii. The full-time Plans' crediting rate was 3.00%. The FICA Alternative Plan rate was 2.25%. The rates would increase to 3.60% and 3.0%, respectively, at the start of the next Voya contract in January of 2025.
 - iv. As a reminder, the analysis would typically be a quarter behind as it depended on Voya Wall Street data which was not usually available until after the NDC meeting took place.
- c. Legal and Regulatory Communication updates included:
- i. Where was NDC with 2024 SECURE 2.0 implementation?
 - a) Generally, NDC was up to date regarding SECURE 2.0 provision adoptions.
 - b) Voya noted that the most topical provisional update was section 109 which was the additional deferral window (\$11,250 more) for employees aged 60-63.
 - c) NDC was ready to implement 109. However, staff noted they were anticipating additional guidance since FICA exempt agencies like NDC could be exempt from the "Rothification" of those contributions, effective January 1, 2026.
 - d) Voya and Hyas Group would continue to update the Committee and Staff as necessary. National Association of Government Defined Contribution Administrators (NAGDCA) would likely have more information at the upcoming annual conference in Phoenix.
 - ii. Fiduciary Advisory Newsletter topics:
 - a) Update regarding the Department of Labor's (DOL) Fiduciary Rule which was finalized on April 23, 2024: As a reminder, the Rule aimed to extend fiduciary responsibility to investment professionals who advised retirement plan participants. It also replaced the Five-Part Test with a less rigid three-part test designed to impose fiduciary status in circumstances when investors "can and should reasonably place trust and confidence in the financial services provider." The Rule could potentially reduce rollouts and slow plan leakage, especially at the retail level. Despite a slate of lawsuits, legislative headwinds, and the overturning of the Chevron doctrine, the Rule was still scheduled to go into effect on September 23, 2024.
 - b) On June 28, 2024, the Supreme Court published a landmark ruling that overturned decades of judicial deference to government agencies under the so-called Chevron doctrine. The decision fundamentally altered the landscape of administrative law. Although the specific impact remained

unclear, the reversal of Chevron was sure to affect the world of employee benefits and executive compensation. ERISA and other employee benefits statutes often involved complex and ambiguous provisions. Without Chevron deference, the Department of Labor and other agency interpretations of those ambiguities might face heightened challenges in court, creating a period of uncertainty as new judicial precedents were established. Several regulations (the ESG rules, the Fiduciary Rule, and the non-compete ban) were currently under review in the courts and might be among the first to be subject to adjudication in a post-Chevron world.

- c) The ERISA Industry Committee (ERIC) filed a brief with the Supreme Court to prevent a potential frivolous litigation landscape. The brief attempted to overturn the Ninth Circuit Court's interpretation of Section 406 of ERISA which would allow participants to sue Plan Fiduciaries for a simple recordkeeper contract extension.
- d) Government Plan Sponsors face a difficult road ahead to comply with Section 603 of SECURE 2.0 (age 50 Roth Catchup). Matt Petersen, executive director at NAGDCA, said that "Income verification continued to be an obstacle for all plans, but especially state plans with multiple governments participating. Many state plans allow any political subdivision in the state to participate. Each smaller government typically has its own payroll system, and all those systems would have to be updated to identify employees making a salary over the \$145,000 limit."
- e) On July 19, the IRS issued final Required Minimum Distribution (RMD) rules that clarified some ambiguity caused by recent legislation.

Specifically, the rules noted:

- Required beginning payment dates would vary based on participant dates of birth with the latest scheduled RMD age currently set for 75 (for participants born after January 1, 1960).
- If the participant passed away prior to RMD, then "eligible Designated Beneficiaries" (spouses, dependents) may receive installments over the course of their lifetime.
- Designated Beneficiaries (non-spouse or non-dependent) would have up to ten years to withdraw the money.
- Non-designated Beneficiaries (trusts, estates) would have up to five years to withdraw the money.
- Per SECURE 2.0 the excise tax for missed or underpaid RMD payments had been reduced from 50% to 25% and could be reduced further to 10%.
- Governmental plans must be amended by December 31, 2029, to reflect the changes.

Hyas Group would provide updates regarding the topics and more as they became available.

Motion by Vice Chair Bowman to accept the Investment Consultant report. Seconded by Ms. Jayme, the motion passed unanimously, 4-0.

6. For Possible Action – Receive and approve plan activity and service report from recordkeeper Voya Financial for second quarter 2024.

Voya Financial provided their Second Quarter 2024 Report for the period ending June 30, 2024. Highlights included:

- a. Voya's Plan activity:
 - i. As of August 28, 2024, total assets were over \$1.2 billion, which was an all-time high.
 - ii. Overall net cash flow was negative (\$2.7 million) for the quarter.
 - iii. Top rollover recipients were Edward Jones, Charles Schwab, and LPL Financial.
- b. Voya's Communications update:
 - i. Voya provided an update to the participant dashboard.
 - ii. The Committee and Staff discussed the benefits of provided a PERS feed to Voya to make participant data more accurate. Staff would work with the Committee to determine the most effective approach with NV PERS.
- c. Voya's Field Activity update:
 - i. Quarterly activity from the local Representatives included 501 enrollments, 79 group meetings, and 2,088 individual meetings.

Motion by Ms. Jayme to accept the Voya Financial report, second by Vice Chair Bowman. The motion passed unanimously, 4-0.

7. For Possible Action – Receive, discuss, and approve Interlocal Contract.

- a. Esmeralda County
- b. Lander County – they would be transitioning away from Nationwide and were interested in adding a loan option for their employees. Additionally, they might move 401(a) accounts to Voya at some time in the future.

Motion by Ms. Jayme to accept the interlocal contracts for Esmeralda County and Lander County. Second by Vice Chair Bowman, the motion carried unanimously, 4-0.

8. For Possible Action – Discuss participation in the following training opportunities:

- a. NAGDCA Annual Conference September 15-18, 2024, in Phoenix, Arizona. NDC Staff and Committee would all be attending. NDC would be accepting an award during the event.
- b. Institutional Investors Conferences:
 - i. DC Institute Symposium September 10-11, 2024, in Half Moon Bay, California. Mr. Boehmer would be attending.
 - ii. DC Institute Summit December 10-11, 2024, in Boston, Massachusetts. There could be an option for one Committee member to attend along with Mr. Boehmer at a future conference.

9. For Possible Action – Schedule upcoming NDC meeting dates.

- a. The 3Q 2024 quarterly meeting was scheduled in-person on December 18, 2024
- b. The January 2025 Annual Planning Meeting would be held in person on January 14, 2025. Hvas Group would invite representatives from JP Morgan and American Funds to present at the meeting.
- c. The 4Q 2024 Quarterly Meeting scheduled for March 13, 2025, virtual or in-person

10. Committee Member comments

There were no additional Committee Member comments.

11. Update from Investment Consultant

There were no additional updates from Hyas Group.

12. Update from Recordkeeper

There were no additional updates from Voya.

13. Administrative Staff/Department of Administration Updates

NDC staff thanked the Committee members, Hyas Group, and Voya.

14. Public Comment

There were no closing public comments.

15. Adjournment

The meeting was adjourned at 11:06 a.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant