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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, February 29, 2024

The quarterly meeting of the Deferred Compensation Committee was held on Thursday, February 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

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

Brandon Garden, Round Hill GID
Suzanne Olsen, Casey Neilon
Henna Rasul, Sr. Deputy Attorney General
Micah Salerno, NDC

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, February 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 January 18, 2024.**

Motion by Ms. Jayme to approve the minutes from the January 18, 2024, meeting. Second by Vice Chair Bowman. Motion passed unanimously, 4-0.

4. For Possible Action- Receive and discuss Fiscal Year (FY) 2023 Financial Audit Report and Financial Statements prepared by Casey Neilon for NDC Voluntary and FICA Alternative Plans.

Ms. Suzanne Olsen from Casey Neilon presented the Fiscal Year 2023 (FY2023) Financial Audit.

- a. The Audit identified one missing contribution of \$40 for the Nevada State Board of Dental Examiners.
- b. It was determined that the financial statement disclosures were neutral, consistent, and clear.
- c. Casey Neilon also noted they encountered no significant difficulties in dealing with management during the audit.
- d. Hyas Group noted that the name of Vanguard Total International Stock Index Fund should be changed to Vanguard Total International Stock Index Trust as the strategy was switched to a Collective Investment Trust (CIT) in October 2022. Casey Neilon noted they would make the change.

Motion by Vice Chair Bowman to accept the audit reports from Casey Neilon. Second by Ms. Jayme, motion carried unanimously, 4-0.

5. For Possible Action – Receive and approve Hyas Group Investment Consultant’s review of fourth quarter 2023.

Hyas Group provided the Investment Consultant Review which included:

- a. The Fourth Quarter 2023 performance report – Features of the report were:
 - i. Market Commentary – One year ago as we headed into 2023, pessimism persisted across markets. US stocks were down, international stocks were down, bonds were down. But prices were certainly not down. With multiple rate hikes the Federal Reserve tried to get inflation under control so it would seem a recession was inevitable. But for the year, all major markets were up: Dow up 16.18%, S&P 500 up 26.29%, and NASDAQ up 44.48%. International stocks even returned a respectable 18.85% for the year. With inflation near target rates, many experts believed the Fed was done tightening and might even cut interests rates in 2024. That should be more good news for markets. Consumer spending slowed and job markets cooled so the Fed didn’t further raise rates.
 - ii. Plan Data Review – December 31, 2023, full-time Plan assets were \$1,065,943,150 which represented a market gain of \$71,299,473 for the quarter. Net cash flow was negative for the quarter at -\$5,131,613 and negative year-to-date -\$21,034,417. Since 2017, the Plans had lost \$61 million in negative cashflow. Retention was a key issue that needed to be addressed in the current recordkeeper RFP. For the Fourth Quarter, \$1,504,235 transferred into fixed income.
 - iii. Current Fund Lineup Overview and Performance Review –
 - a) A Money Market fund discussion included a comparison of Capital Preservation options that Hyas Group presented to the Committee. Due to recent (past 24 months) spike in interest rates, Money Market Funds were outperforming the Voya Fixed Account in the short term. One-year rates for Money Market Funds were approximately 5% while the Voya Fixed Account had returned 3%. Longer term, however, the Voya Fixed Account had outperformed Money Market funds by 1-2% annually for the trailing 5-year and 10-year returns. Introducing a Money Market Fund to the core lineup would

- trigger the 90-day equity wash provision for the Voya Fixed Account. If interested, participants could access Money Market funds through the brokerage window. For those reasons the Committee decided to hold off adding a Money Market option. The Committee and Staff thanked Hyas Group for the analysis.
- b) The Committee approved Hyas Group's recommendation to place Sterling Capital Total Return Bond (STRDX) on watch for qualitative reasons. Sterling was recently sold by parent company Truist Financial to Guardian Capital. Hyas Group did not anticipate material changes to the portfolio team. Nonetheless, with the sale of the company came some uncertainty and qualitative watch was warranted. Hyas Group would provide an update at the next meeting.
 - iv. Plan Fee/Revenue Analysis – Fees were weighted at 25.8 basis points, down by 7.7 basis points since March of 2020. The reduction equated to \$7.3 million in savings per year for NDC participants and approximately \$36 per month per participants (assumes 16,878 participants).
- b. Hyas Group provided a Plan Fee analysis for the full-time and FICA alternative Plans. After analyzing current fees and expenses, Hyas Group determined that NDC's current annual fees of \$41 for full-time Plan and \$2.20 for the FICA Alternative Plan were appropriate. Hyas Group would update the analysis every year or as requested by NDC.
- c. The Voya Fixed Account and Corporate Ratings Analysis (as of September 30, 2023) was reviewed and discussed.
- i. The General Account benchmark was provided. The Voya General Account was underweighted 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. The full-time Plans crediting rate was 3.00%. The FICA Alternative Plan was 2.25%.
 - iv. It was noted 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.
- d. Hyas Group provided an ESG analysis of the fund lineup:
- i. The average ESG sustainability score for NDC funds was 2.81/5.
 - ii. The analysis also broke out Environmental, Social, and Governance scores for each fund.
- e. Legal and Regulatory Communication updates included:
- i. Where was NDC with 2024 SECURE 2.0 implementation?
 - a) Section 110 – Matching of Student Loans: NDC was interested.
 - b) Section 115 - \$1,000 Penalty-Free Emergency Expenses: Likely a “no” for NDC.
 - c) Section 127 – Emergency Savings Accounts: NDC was interested.
 - d) Section 304 – De minimis Increase from \$5,000 to \$7,000: Not applicable for NDC, De minimis was \$1,000.
 - e) Section 314 – Penalty-Free Domestic Abuse Withdrawals: NDC was interested in more details.Hyas Group and Voya would continue to update the Committee and Staff as appropriate.
 - ii. Fiduciary Advisory Newsletter topics:
 - a) The Department of Labor was once again trying to expand the definition of an Investment Fiduciary. The attempt was the third such effort and aimed to replace 1975's “five-part” fiduciary test with an even more ambiguous

- process for determining what and who constituted a fiduciary. The rule faced considerable political headwinds and had a small likelihood, if any, of being adopted into law.
- b) SECURE 2.0 updates were coming in slowly as legislators and policy makers cleaned up some of the ambiguous provisional details. Governmental Plans now had until 2029 to update Plan Documents with any SECURE 2.0 changes. While there were some optional provisions effective in 2024, most of the provisions required further clarification and/or recordkeeping capabilities and thus were not ready for approval by the Committee. Hyas Group would provide an update at the next meeting.
 - c) Generation X Savers are least prepared for retirement according to a recent industry survey. Their retirement gap was estimated to be approximately \$440,000 per individual according to Schrodgers who conducted the research.
 - d) The Department of Labor wished to codify SECURE Act provision 120 which would encourage automatic portability for employee retirement accounts. It was estimated that approximately \$355 million in retirement assets were cashed out unnecessarily each year. If enacted, section 120 could eliminate many of those transactions allowing that \$355 million to continue investing.
 - e) The National Association of Government Defined Contribution Administrators (NAGDCA) provided comments to the IRS seeking further clarification that 401(k) part-time rules did not apply to the Government sector as they were intended for corporate America.
- f. The Recordkeeper Request for Proposal (RFP) update was provided:
- i. The RFP was issued February 20, 2024.
 - ii. The RFP was due back April 1, 2024.
 - iii. The evaluation period would be from April 1, 2024, to May 1, 2024.
 - iv. The virtual evaluation meeting was tentatively scheduled for the morning of May 3, 2024.
 - v. Finalist interviews, if necessary, scheduled for May 22, 2024.
 - vi. Notice of intent and award scheduled for June.
- g. The 401(a) Plan update included:
- i. The Plan was up and running successfully.
 - ii. Vanguard would convert the International and Target Retirement from Mutual Funds to CITs in the coming months for the 401(a).
 - iii. 401(a) reporting was included in the Hyas Group report for the first time.

Motion by Ms. Jayme to accept the Investment Consultant report and place Sterling Capital Total Return Bond Fund on the Watch List according to the Investment Policy Statement. Second by Vice Chair Bowman, motion passed unanimously, 4-0.

6. For Possible Action – Receive, discuss, and approve Executive Officer’s Report of fourth quarter 2023.

Mr. Boehmer reviewed his quarterly report including:

- a. The FY2024 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.

- ii. A report was given and reviewed on the Administrative Account data and General Ledger. As of January 31, 2024, Admin Revenues in Voya Accounts were \$266,820 for Full-Time Plans and \$41,361 for the FICA Alternative Plan.
- b. The Quarterly Plan Activity and Data Report was received and discussed.
- c. A Contract Management Report was given and discussed.
 - i. Casey Neilon contract would expire July 1, 2025.
 - ii. Hyas Group contract would expire May 31, 2025.
 - iii. Voya Financial contract would expire December 31, 2024.
- d. A litigation report on the Stanford Suit was provided.
- e. The Proposed 2024 NDC Strategic Plan was presented which included:
 - i. A review of goals, objectives, and priorities was provided.
 - ii. Alignment with the Governor's Administration Policy Matrix was reviewed.

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

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

Voya Financial provided their Fourth Quarter 2023 Report for the period ending December 31, 2023. Highlights included:

- a. Voya presented their 2024 NDC Communication, Education, and Marketing plan.
- b. Voya's Plan activity included:
 - i. February 28, 2024, assets were \$1.055 billion.
 - ii. Overall net cash flow was negative (\$5.1 million) for the quarter and down \$21 million in 2023.
 - iii. Top rollover recipients were Edward Jones, Charles Schwab, and Vanguard.
- c. Voya's Communications update included:
 - i. A participant engagement trend overview was given; 54% of NDC participants have signed up for E-Delivery.
 - ii. A 2023 monthly engagement review was provided.
 - iii. Financial wellness results included NDC participants feeling more confident (6.7/10) about their financial situation than the Voya book of business (6/10).
 - iv. An overview of American Saves Week was covered.
 - v. The 2024 NDC Communication Calendar was shared. NDC Staff noted that the Communication calendar aligns with the NDC Strategic Plan.
- d. Voya's Field Activity update included:
 - i. 230 enrollments, 87 group meetings, and 1,887 individual meetings were conducted during the quarter.

Motion by Ms. Jayme to accept the Voya Financial report, second by Ms. Hager. Motion passed unanimously, 4-0.

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

- a. Round Hill General Improvement District

Motion by Vice Chair Bowman to accept the interlocal contract for Round Hill General Improvement District. Second by Ms. Hager, motion carried unanimously, 4-0.

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

- a. RFP evaluation meeting was scheduled to be held virtually on May 3, 2024
- b. RFP Finalist Presentations (if applicable) would be held in person on May 22, 2024
- c. The 1Q 2024 quarterly meeting was scheduled in person on June 12, 2024
- d. The 2Q 2024 quarterly meeting was scheduled in person on August 29, 2024

10. Committee Members 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 provided an update on recent travel to Las Vegas and Laughlin which included a presentation to the State Parks academy and meetings with current and potential political subdivisions. They also thanked all the attendees.

14. Public Comment

There were no closing public comments.

15. Adjournment

The meeting was adjourned at 11:54 a.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant