

**Nevada System of Higher Education (“NSHE”)
Minutes of
Special Retirement Plan Advisory Committee Meeting
May 20, 2016**

The Retirement Plan Advisory Committee (“Committee”), the fiduciary committee for the Nevada System of Higher Education Defined Contribution Retirement Plans (“Plans”), met on May 20, 2016 at the System Office in Las Vegas. Present were voting members: Michelle Kelley (Chair), Pat La Putt (Business Center South; “BCS”), Paul Thistle (University of Nevada, Las Vegas; “UNLV”), Carla Henson (Retiree), Cheri Canfield (Nevada State College; “NSC”), Jerry Lockhart (College of Southern Nevada; “CSN”), Bob Whitcomb (Western Nevada College; “WNC”), Kent Ervin (University of Nevada, Reno; “UNR”), Daniel Williams (Truckee Meadows Community College; “TMCC”), Mark Bowers (Desert Research Institute; “DRI”), Migle Valunte (Business Center North; “BCN”), Brad Summerhill (Faculty Senate Chair), and Scott Nielsen (Great Basin College; “GBC”).

Attending the meeting by invitation were Eileen Biosi, Secretary to the Committee (NSHE System Administration), Daniel Pawlisch, David Swallow, and Will Tsui (via teleconference) of Aon Hewitt Investment Consulting (“AHIC”). Also attending the meeting by invitation were Tracey Eastman, Maggie Dehn, and Michelle Buckalew of TIAA.

Call to Order

The meeting was called to order at 8:33 a.m. by Kelley.

Henson announced to the Committee that Kelley had been promoted to Executive Officer of the Retirement Plans.

Approval of Minutes from March 4, 2016

The Committee reviewed the minutes from the previous Committee meeting held on March 4, 2016. Whitcomb made a motion to approve the minutes and Valunte seconded. The motion carried.

TIAA Administrative Update

Dehn reviewed a presentation titled “Nevada System of Higher Education Field Activity.” During the course of her review, she provided an update on the TIAA advisory staff that is responsible for servicing the NSHE relationship. She informed the Committee that one of the financial advisors supporting NSHE had left TIAA. There is now an open position for a financial advisor to support NSHE.

Dehn provided an overview of the year-to-date advisor activities in 2016. She discussed various areas of support including the following:

- Conducting 10 workshops on various financial topics.

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- Providing new employee orientation support and conducting 13 meetings with an estimated 15-20 participants attending each session.
- Supporting 3 benefits fairs with an estimated attendance of 150-250 employees.

Dehn led a discussion around the compensation structures of the financial advisors and the wealth managers. She provided specific details around the bonus structure and what metrics are evaluated when determining bonuses. During this discussion, Dehn shared that the target compensation for bonuses for financial consultants is 20% and can be higher or lower. Dehn did not have any details relating to the financial advisors compensation, and will follow-up with the requested information. Kelley requested a detailed document showing the differences in how the financial consultants and financial advisors are evaluated and compensated.

Dehn led a discussion around participant support meetings and activities for the six month period ending April 30, 2016. There was discussion around the strategies implemented at various campuses to increase employee attendance at TIAA meetings. The Committee also raised questions around the ability for TIAA to possibly offer virtual one-on-one meetings to participants in the future. As a follow-up, Kelley requested that TIAA provide a demonstration to herself and the benefits managers around their capabilities to support virtual meetings going forward.

Buckalew reviewed a document titled "Nevada System of Higher Education 2016 Calendar." She led a discussion around various participant communication efforts, as well as the communication schedule for the remainder of 2016. Buckalew also discussed TIAA's targeted communication strategy and the administrative and regulatory communication efforts that are scheduled for the remainder of the year.

Eastman presented a document titled "A Bank for People who Make a Difference." This document highlighted "TIAA Direct," which offers a full suite of banking services. This review was provided at the request of Kelley and the information shared was informational only and not provided for consideration of the Committee. During the course of her review, Eastman highlighted TIAA's banking capabilities. Eastman noted that TIAA Direct surpassed \$1 billion in assets in February of 2016. Pawlisch questioned the money market return that is being displayed for the bank vs. the rate being paid on the Plan's money market investment option. Specifically, the bank is paying 0.70% vs. 0.01% for the Institutional Money Market fund in the Plan. Eastman will follow-up with details to address the rate differences. The Committee also requested information on fees. As a follow-up, Eastman will provide a full listing of banking fees.

Ervin commented that TIAA's 360 Tool is still very disappointing and shared that this tool was a big influence in the RFP process and in the selection of TIAA. He shared several specific issues as it relates to the tool and inquired as to what enhancements are planned. Buckalew requested that Ervin follow-up with an email on the specific challenges he has encountered.

Representatives from TIAA left the meeting at 11:30 a.m.

The Committee debriefed on the TIAA presentations. The Committee agreed to initiate a strategic discussion at the November meeting to discuss the timeline and goals of the upcoming RFP for

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recordkeeping services. In addition, the Committee suggested that in future TIAA bring individuals who are familiar with the products and services and an individual who can provide an update on technology (i.e., their 360 Tool) and their banking capabilities. Lastly, the Committee would also like to continue to discuss the compensation structure of financial advisors and wealth managers.

The Committee took a break for lunch at 12:00 p.m.

Meeting called back to order at 12:50 p.m.

Executive Officer Report

Kelley informed the Committee that according to a new internal ruling at Vanguard, NSHE is eligible for the “institutional” share class options of the Target Retirement Funds. Going forward Vanguard will consider ALL NSHE retirement plan assets invested at Vanguard to determine if thresholds have been met. This change to the “institutional” share class option will result in an estimated annual savings to participants of ~\$150,000. Kelley will be working with TIAA to implement this change as soon as it is administratively possible. TIAA has preliminarily communicated a June 28, 2016 implementation date. Kelley also noted that the previously approved money market transition was completed on April 2, 2016 (the Vanguard Prime Money Market Fund was replaced by the Vanguard Federal Money Market Fund). She indicated that there were no issues or concerns raised by participants in regards to this change. Kelley also indicated that she has an open question out to TIAA on what the impact of the money market reform changes mean to any possible money market funds held within the self-directed brokerage window. She is still waiting for a response.

Kelley updated the Committee that fund changes are also required at Fidelity to move from retail money market funds to government money market funds. Kelley has provided Fidelity with directions to make these changes; however, they have not provided a specific date as to when the change will actually take place. The other item being worked on at Fidelity is the eliminating the zero balances accounts.

Kelley indicated she still needs to evaluate the money market situation at VALIC to see if any changes are required.

Kelley informed the Committee that she will become a member of the Workday team effective Monday May 23, 2016. Any time that Kelley spends on this project will be paid for from the NSHE budget and not from Plan assets. Her involvement and time commitment has not been finalized as of yet. As soon as this is determined, she will update the Committee.

Kelley provided an update on the communication strategy for revising the Plans tiered investment structure. She reviewed a new 3 tier structure that combines the Plans existing “Core” and “Specialty” options into active and passive options under the “Core” tier. She also highlighted the addition of new language to make it clearer for participants as to their responsibilities. The Committee provided Kelley with some recommendations for wording modifications under each category.

Kelley provided an update on the American Century asset transition project. She indicated that 127 participants (in total) will be impacted by this change. Kelley provided an update on the asset mapping strategy highlighting how the money will be mapped to TIAA. Specifically, the money will be moved to a participant's allocation on file. If there is no allocation on file, the assets will be defaulted into an age appropriate QDIA.

Staff Reports

Valunte noted that activity was very busy during the past quarter, with retirees providing positive feedback on the Plans. There has also been significant activity on campus and one-on-one meetings. She also noted an improvement in the level of engagement with 415(m) plan participants.

La Putt also witnessed elevated activity among retirees, similar to Valunte. She noted an elevated level of calls from participants on the impact of Social Security and confusion around the windfall provision (resulting in Social Security benefits being reduced). If the account is with TIAA, La Putt noted that she is sending the participants directly to TIAA for contribution and withdrawal details. However, it has been difficult for other vendors to accurately address questions and provide appropriate information. There was discussion amongst the Committee to possibly have TIAA and representatives from Social Security conduct a joint meeting for educational purposes. La Putt shared concerns around who from the Social Security office should be presenting on these complex issues. The Committee will continue to review possible options to address this issue. Lastly, La Putt added that TIAA has been actively working with NSHE on its ongoing Workday implementation.

Emerging Markets Equity Competitive Review

Tsui joined the meeting via teleconference. He reviewed a document titled "Emerging Markets Equity Competitive Review." During his review, he discussed the current emerging market equity fund manager and profiled four alternative investment managers for consideration. Tsui provided details on each of the candidates including their guidelines, style, objectives, and holdings. He also reviewed the fees and historical performance for each of the options along with the fund's various country allocations. After thorough discussion and careful consideration, the Committee concluded that it would be in the best interest of the Plans' participants and beneficiaries to make no changes to the investment line-ups at this time.

Fiduciary Review

Swallow led a discussion with the Committee on their responsibilities and the importance of the maintaining confidentiality of the Committee's recommendations until these recommendations have been made public. Swallow noted the importance of the Committee portraying a unified and consistent message to any impacted parties (vendors, etc.).

Swallow provided an overview of the quarterly Legal & Compliance Update. He highlighted the Department of Labor's new rule on the definition of fiduciaries and the potential impact to plan

sponsors and the defined contribution marketplace. As these new regulations are extensive, many providers are carefully reviewing the final regulations in order to determine the implications. This is a topic that will continue to be revisited with the Committee as more information and guidance becomes available. The Committee discussed the information presented and the impact on the Plans.

Swallow and Whitcomb left the meeting at 3:30 p.m.

Quarterly Investment Review

Pawlich reviewed the previously distributed report entitled “Nevada System of Higher Education First Quarter 2016 Discussion Guide.” Pawlich commented on the current state of the overall economy, the domestic and international equity markets, and the fixed income markets. He also provided an update on the market through April 2016.

Referring to Section 2 of Attachment 1, Pawlich provided an update on the Plans’ asset allocation and manager performance. He noted and discussed situations in which there were exceptions to, or comments on, the targeted performance, company structure, or other relevant aspects of the funds offered against the Plans’ Investment Policy Statement. After discussion and review of the materials provided, the Committee members agreed to the following.

Maintain on the “watch” list:

- Neuberger Berman High Income Fund
- T. Rowe Price Institutional Large Cap Growth Fund

Add to the “watch” list:

- PIMCO Total Return Fund
- DFA U.S. Targeted Value Fund

Referring to Section 4 of Attachment 1, Pawlich reviewed a flash report entitled “Vanguard Group Inc. – Passive Equity Team Announcements.” He presented the information and led a discussion of the issues noted and the effect they may have on the Plans and the Committee.

Other Business

Pawlich led a discussion of the on the Plans investment performance for the month of April 2016. The Committee discussed the information presented and the impact on the Plans.

There being no further imminent business before the Committee, the meeting was adjourned at 4:00 p.m.