

Nevada System of Higher Education ("NSHE")
Minutes of
Retirement Plan Advisory Committee Meeting
November 18, 2016

The Retirement Plan Advisory Committee ("Committee"), the fiduciary committee for the Nevada System of Higher Education Defined Contribution Retirement Plans ("Plans"), met on November 18 2016 (via video conference) at the System Office in Las Vegas, Reno, and Great Basin College in Elko. Present were voting members: Michelle Kelley (Chair), Pat La Putt (Business Center South; "BCS"), Carla Henson (Retiree), Daniel Williams (Truckee Meadows Community College; "TMCC"), Cheri Canfield (Nevada State College; "NSC"), Jerry Lockhart (College of Southern Nevada; "CSN"), Bob Whitcomb (Western Nevada College; "WNC"), Paul Thistle (University of Nevada, Las Vegas; "UNLV"), Migle Valunte (Business Center North; "BCN"), Brad Summerhill (Faculty Senate Chair), Mark Bowers (Desert Research Institute; "DRI"), Kent Ervin (University of Nevada, Reno; "UNR"), and Scott Nielsen (Great Basin College; "GBC").

Attending the meeting by invitation were Nicholas G. Vaskov, Vice Chancellor for Legal Affairs (NSHE System Administration) and Eileen Biosi, Secretary to the Committee (NSHE System Administration); and Daniel Pawlisch and Elijah Reese of Aon Hewitt Investment Consulting ("AHIC").

Also attending the meeting by invitation were Tracy Eastman, David Martinez, Maggie Dehn, Cindy Wilson, Michelle Buckalew, Tim Pitney, Bill Brown, Steve Kronheim (teleconference), Patty Harte (teleconference) of TIAA and Dan Bruns (teleconference) of Morningstar.

Call to Order

The meeting was called to order at 8:30 a.m. by Kelley.

Approval of Minutes from August 19, 2016

The Committee reviewed the minutes from the previous Committee meeting held on August 19, 2016. Whitcomb made a motion to approve the minutes and Canfield seconded. The motion carried.

Executive Officer Report

Kelley introduced Nicholas Vaskov, Vice Chancellor for Legal Affairs to the Committee and informed them that Vice Chancellor Vaskov has recently been delegated the responsibility for handing day to day issues with respect to the management of the NSHE retirement plans. The Chancellor will continue to be consulted regarding significant changes in plan documents and/or vendors, appointments to the Committee and leadership of the Committee.

Kelley informed the Committee that Ms. Henson would be retiring from the Committee. She thanked Ms. Henson for her years of service and noted that NSHE intends to appoint a replacement for Ms. Henson in the near future.

Kelley informed the Committee that the mapping of legacy American Century assets to TIAA had been completed. However, the transition was not without error. Specifically, the wire TIAA received from American Century was applied to the Vanguard Federal Money Market Fund in the forfeiture account as part of a "two-step" mapping process. When TIAA moved funds to participant's accounts, the transactions were incorrectly coded to move all Vanguard Federal Money Market Funds rather than just the specific dollar amounts that were received from American Century. As a result, there were five participants who had their existing accumulations in the Vanguard Federal Money Market Fund moved to their allocations on file. Kelley noted that TIAA moved the funds back into participant investments on 11/11/16 as if the transaction had not occurred, without negative impact. In addition, TIAA drafted an apology letter that was mailed to the five impacted participants on 11/15/16.

TIAA Administrative Update

Martinez discussed structural changes to the NSHE service team. He noted that Dehn was recently promoted and would be leaving the NSHE service team. He introduced Wilson noting that she would be assuming Dehn's responsibilities as the new client service representative for NSHE. Wilson introduced herself to the Committee. The Committee welcomed Wilson to NSHE.

Pitney provided background regarding the crediting rates and liquidity provisions for TIAA Traditional under the various contract types within the Plans. He noted that plan sponsor liquidity was recently changed from 84 months with 1.5% surrender to 60 months with no surrender fee for the Retirement Choice (RC) group contracts.

Brown discussed the service model for TIAA's advice services. He led a discussion that reviewed Morningstar's existing advice components, including its forecasting, savings rates, proposed asset allocation, and fund selection capabilities. The Committee asked how TIAA's approach would be changing to comply with the Department of Labor's new fiduciary rules. Brown noted that the Morningstar tool's generation of personalized retirement forecasts and investment recommendations among the Plans' investment options would not be changing. However, TIAA has not yet determined how it will comply with the new regulations regarding retirement plan distribution advice. After thorough discussion, Brown indicated that he will provide the Committee with an update regarding how TIAA will comply with the Best Interest Standard for distribution options under the new fiduciary regulations once it is finalized.

Bruns led a discussion regarding Morningstar's underlying investment methodology and the resulting recommendations for the portfolio construction process. Considerable focus was spent on how the underlying liquidity of TIAA Traditional is addressed. After thorough discussion, Bruns indicated that he would continue working internally to further quantify how participant liquidity

restrictions for base retirement plan contributions into TIAA Traditional are incorporated and weighed when providing retirement forecasts and investment recommendations to participants.

Kronheim led a discussion in regards to the litigation among higher education 403(b) plans noting the effects they may have on the Plans and the Committee. Kronheim shared TIAA's opinion of the allegations and discussed next steps in the potential legal process.

Dehn let a discussion regarding activity among the local financial consultants and advisors.

Representatives from TIAA left the meeting at 11:05 a.m.

Staff Reports

Valunte indicated that the American Century transition generally went smoothly. She noted that one individual in the North expressed displeasure with a lack of communications regarding the transition. Kelley confirmed that the participant received all three communications. In addition, Valunte directly met with the participant to resolve his complaints. Valunte noted that she has been hearing complaints about the new TIAA website. Valunte has met with TIAA's new wealth manager and is excited by the additional resources. For retirees, Valunte noted that drawing a retirement from the NSHE retirement plan is required to be eligible for group health insurance. Valunte noted that participants have recently been asked by the State of Nevada to provide confirmation of their distribution (i.e., screen shot).

La Putt noted that a few participants recently received inaccurate information from TIAA in regards to loan availability (they were told they were allowed three general purpose loans, whereas the NSHE Loan Policy only allows two general purpose loans). As a result of the misinformation given out by TIAA, TIAA refunded the \$50.00 NSHE compliance fee to the participants in question. La Putt also noted that she is continuing to have problems with the posting of 415(m) plan data for three individuals on the TIAA system. La Putt is working with Eastman from TIAA to investigate this topic further.

Kelley provided an update to the Committee regarding the potential recordkeeper RFP. She noted that the initial distribution date had been delayed due to Work Day implementation. Prior to its release, La Putt and Whitcomb indicated a need to conduct a participant survey (March 2017) to better understand overall satisfaction. Ervin requested that Kelley review the requirement to initiate an RFP every five-years. Whitcomb suggested that need for focus groups at each of the campuses to get qualitative data from participants. After thorough discussion, the Committee agreed to a Strategic planning meeting in May 2017 to develop a work plan and vision for the Plan going forward.

Quarterly Investment Review

Pawlisch reviewed the previously distributed report entitled "Nevada System of Higher Education Third Quarter 2016 Discussion Guide." Referring to Section 1 of the Discussion Guide, he

commented on the current state of the overall economy, the domestic and international equity markets, and the fixed income markets.

Referring to Section 2 and 3 of the Discussion Guide, Pawlisch 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.

Add to the "watch" list:

- William Blair Small/Mid Cap Growth Fund

Maintain on the "watch" list:

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

Remove from the "watch" list:

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

As a substitute for the version already provided in the Discussion Guide, Pawlisch distributed an updated copy of the Plans' Top 20 Contributed Funds based on the Committee's request to consider the Target Date funds as one fund page (CITs as one fund and mutual funds as one fund). Pawlisch indicated that the page will be added to the discussion guide going forward.

La Putt requested that quarterly participant transfers be added to the AHIC discussion guide for strategic planning purposes. Pawlisch agreed to add the requested information to the discussion guide going forward

Referring to 3 of the Discussion Guide, Pawlisch reviewed a flash report titled "T. Rowe Price Associates – Retirement of CIO and Chairman Brian Rogers." He presented the information and led a discussion of the issues noted and the effect they may have on the Plans and the Committee. After discussion, the

RPA Hardship Withdrawals

Kelley welcomed Dr. Shaun Franklin-Sewell to the meeting. As a representative of the UNLV Faculty Senate, Mr. Franklin-Sewell addressed the Committee and requested that a hardship provision be added to the RPA Plan in order to help participants who have a financial hardship as defined by the IRS. Kelley introduced a discussion regarding the addition of adding a hardship distribution provision to the RPA Plan. She compared and contrasted the differences between retirement plan loan and hardship withdrawal provisions. She also provided prevalence data for hardship provision among

TIAA's ten public university system clients along with details around the IRS required documentation and record retention procedures.

The Committee had a thorough discussion regarding the NSHE specific considerations of adding a hardship provision, including: the social security replacement nature of the RPA Plan; the difference sources of funds in the RPA plan (money market and profit share); the negative impact such a provision could have on the overall retirement readiness of participants who use it; and the complexity of administering distributions under the provision.

Dr. Franklin-Sewell thanked the Committee for considering his request, and acknowledged the complexity of adding the hardship provision to the RPA plan. He indicated that based on the complexity of administering the hardship provision, and that participants would have to exhaust all loans available to them prior to applying for a hardship he was withdrawing the request that a hardship provision be added to the RPA Plan. The Committee decided to take no action.

Fixed Income Manager Searches

Reese reviewed the previously distributed report entitled "Nevada System of Higher Education Diversified Bond Fund Investment Manager Search." He provided background on AHIC's manager review and the due diligence process relating to manager evaluations. He also led a discussion comparing the investment process, style, performance, and other relevant factors of the incumbent PIMCO Total Return Fund (PTTRX) along with three alternative candidates: the BlackRock Total Return Fund (MPHQX), the Loomis Sayles Core-Plus Bond Fund (NERYX), and the Prudential Total Return Fund (PDBZX). After considering the proposed options, the Committee agreed that PIMCO Total Return Fund (PTTRX) remained the most appropriate option for the Plans' participants.

Reese reviewed the previously distributed report entitled "Nevada System of Higher Education High Yield Bond Fund Investment Manager Search." He led a discussion comparing the investment process, style, performance, and other relevant factors of the incumbent Neuberger Berman High Yield Fund (NRHIX) along with three alternative candidates: the Columbia High Yield Fund (CYLRX), the JP Morgan Broad High Yield Fund (OHYFX), and the Nomura High Yield Total Return Fund (NPHIX). La Putt requested that AHIC provide the historical watch list status designations for the proposed candidates. Pawlisch indicated that he would provide the requested information as a follow-up to the meeting. Kelley reiterated the need for such information in all manager searches going forward. After considering the proposed options, the Committee agreed with AHIC's recommendation to terminate the Neuberger Berman High Yield Fund (NRHIX), and to map the assets and investment elections to the Nomura High Yield Total Return Fund (NPHIX), following appropriate notice to participants. Pawlisch agreed to work with Kelley on this change.

MOTION

Whitcomb made a motion that the Committee transition from the Neuberger Berman High Yield Fund to the Nomura High Yield Total Return Fund as soon as administratively feasible; Seconded by

Thistle; Motion passed. Valunte abstained due to uncertainty regarding impacted participants. La Putt abstained due to lack of historical watch list status designations.

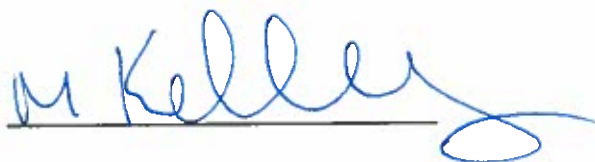
Other Business

Pawlsch reviewed the Plans' investment performance as of October 31, 2016.

Kelley led a discussion regarding potential 2017 Committee meeting dates. It was agreed that the strategic planning meeting will be held in Reno on May 18, 2017. Kelley will continue to work with the Committee to identify additional dates in 2017 for the quarterly RPAC meetings.

There being no further imminent business before the Committee, the meeting was adjourned at 2:30 p.m.

Minutes approved:



Michelle Kelley, RPA Executive Officer

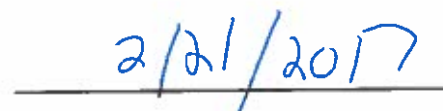


Date Signed

Reviewed by:



Nicholas G. Vaskov, Vice Chancellor for Legal Affairs



Date Signed