

**Nevada System of Higher Education (“NSHE”)
Minutes of
Retirement Plan Advisory Committee Meeting
May 19, 2017**

The Retirement Plan Advisory Committee (“Committee”), the fiduciary committee for the Nevada System of Higher Education Defined Contribution Retirement Plans (“Plans”), met on May 19 2017 at the System Office in Reno. Present were voting members: Michelle Kelley (Chair), Pat La Putt (Business Center South; “BCS”), Migle Valunte (Business Center North; “BCN”), Cheri Canfield (Nevada State College; “NSC”), Kent Ervin (University of Nevada, Reno; “UNR”), Bob Whitcomb (Western Nevada College; “WNC”), Paul Thistle (University of Nevada, Las Vegas; “UNLV”), Scott Nielsen (Great Basin College; “GBC”), Jerry Lockhart (College of Southern Nevada; “CSN”), and Daniel Williams (Truckee Meadows Community College; “TMCC”). Voting member Brad Summerhill (Faculty Senate Chair) was unable to attend.

Attending the meeting by invitation were Lisa Taylor (Business Center North; “BCN”), along with Daniel Pawlisch and Joe Steen of Aon Hewitt Investment Consulting (“AHIC”).

Call to Order

The meeting was called to order at 8:05 a.m. by Kelley.

Approval of Minutes from February 17, 2017

The Committee reviewed the minutes from the previous Committee meeting held on February 17, 2017. Following discussion the Committee agreed to approve the minutes.

Strategic Planning Wrap-up and Action

Kelley continued a discussion from the May 18th Strategic Planning Meeting, regarding the mapping of legacy vendor assets to TIAA. After thorough discussion, the Committee agreed to recommend to the Vice Chancellor of Legal Affairs that all legacy vendor group assets available for mapping be transferred to NSHE’s current recordkeeper, TIAA. The Committee recommended a target date of Spring 2018 for transferring the Plans’ legacy assets with T. Rowe Price and legacy vendor assets in the Medical Residents/Postdoctoral Scholars 403(b) Retirement Plan; and a target date of October 2018 for transferring the Plans’ legacy assets with Fidelity, TIAA, and VALIC. The Committee further agreed to recommend that all legacy vendor assets available for mapping be directed to a participant’s allocation on file (if one exists) or the Plans’ qualified default investment option, the Vanguard Target Retirement Funds, based on respective participant dates of birth.

Executive Officer Report

Kelley updated the Committee on an IRS Voluntary Correction Program filing for 116 NSHE participants with impermissible in-service withdrawals from the Retirement Plan Alternative (RPA). Kelley confirmed that letters were sent via certified mail to all affected participants, as required by the IRS, asking for a return of the impermissible distributions and rollovers, which some participants have returned. Kelley advised that a limited number of participants had questioned the error and that an allowance of up to \$300 was being offered to impacted participants to get tax advice, with only one participant claiming the allowance to date. Kelley indicated that TIAA assisted greatly in the process by reaching out to participants and explaining and/or facilitating the corrective action.

Kelley provided an update on the replacement of the Neuberger Berman High Income Bond Fund with the Nomura High Yield Fund (NPHIX), indicating that the transition is scheduled to complete as of May 19, 2017.

Kelley informed the Committee that the IRS has responded to a request by NSHE for a favorable determination letter for the RPA. Kelley indicated that the Determination Letter will allow for self-correction, as necessary, using the IRS's Employee Plans Compliance Resolution System. Kelley stated that the IRS has discontinued their Determination Letter program going forward, so it is beneficial to have obtained the Determination Letter recently.

Kelley advised the Committee that she had conducted a site visit in April 2017 at TIAA's Charlotte, NC offices, including TIAA's IT securing center and administrative facilities. Kelley indicated that it was a productive visit with TIAA addressing a number of service issues, including improper administration of the Plans' preservation clause and concerns regarding phone representatives. Kelley stated that TIAA had paid \$24,000 in penalties to NSHE in 2016 under the service level performance agreement due to not meeting agreed upon service levels, with the biggest component being a lack of satisfaction by the Executive Officer with TIAA's overall services. Kelley informed the Committee that the assigned relationship manager, Tracy Eastman, recently had her client load reduced in order to improve service.

Continuing the discussion of the recent TIAA site visit, Kelley indicated that she and Pawlisch has previously met with Morningstar-Ibbotson Associates in Chicago for a detailed review of the model portfolio methodology used within the Plans. However, TIAA advised for the first time during the recent site visit that there are "shadow" portfolios which are utilized when a participant has a large exposure to investments in TIAA Traditional. Pawlisch stated that he will work with TIAA to provide reporting on these additional portfolios in future investment performance reports. The Committee asked for more details on the alternative portfolios, including participant demographic information and the triggering of their use. Kelley advised the Committee that TIAA will attend the November Committee meeting. She will ask representatives to present and discuss the topic at that time.

Kelley indicated that she and La Putt have been conducting testing on recent Workday changes.

Kelley noted that the Committee Charter was reviewed yesterday and she proceeded to initiate discussion with the Committee regarding a draft Investment Policy Statement (IPS) previously distributed to the Committee. The Committee agreed to review and provide Kelley with any recommended changes to the IPS following the meeting. Kelley will then finalize the document. The Committee discussed whether a summary of the Committee's fiduciary process, including the IPS, may be helpful to explain changes to participants. Kelley agreed to look into the matter further and report back to the Committee with recommendations.

Staff Reports

Valunte informed the Committee that Lynda Mahorter is no longer a wealth management advisor with TIAA and that participants have been questioning her departure. Valunte stated that the new advisor, Bradlee Berk, is apparently not a Certified Financial Planner (CFP), but that participants may use another adviser, Ben Matthews, who is a CFP. Valunte indicated that she is concerned about Ben's continued availability given that many participants favored using an advisor with the CFP designation. Kelley indicated that she would follow up with TIAA.

Valunte updated the Committee on the Medical Faculty transition from UNR School of Medicine to the UNLV School of Medicine, noting that some faculty were asking about the availability of retirement plan distributions, which are not available as there is no plan termination or distributable event. Valunte is working with participants to ensure they understand.

Valunte indicated that TIAA recently conducted an estate planning workshop, which was well received. Additional wealth management workshops have been requested and TIAA is receptive to offering them. Valunte mentioned an issue regarding gifts provided by TIAA at workshops and enrollment meetings. Kelley indicated that Tracy Eastman from TIAA cited state brokerage statutes that gifts above a value of \$2 may not be provided as they may be considered a solicitation of participants. Kelley stated that NSHE has its own marketing budget and she will work with Valunte and La Putt to determine if it may be more desirable for NSHE to provide branded promotional materials for use in generating interest by participants in the Plans.

La Putt commented that the recent electronic loan process changes implemented by TIAA continue to cause confusion. La Putt stated that staff has proactively managed the process, but there needs to be better coordination of the handling of loans between NSHE and TIAA. Additionally, La Putt indicated that she had identified an instance of a home loan that was processed by TIAA incorrectly. La Putt indicated dissatisfaction with the electronic approval process whereby once a participant applies for a loan, an NSHE authorized representative must approve it within five days or the loan expires. A participant must then re-apply for the loan. TIAA can extend this period as long as the request is made prior to the fifth day. La Putt would like this period extended so that NSHE has more time to complete the compliance work. Kelley indicated that she would follow-up with TIAA on these issues.

Quarterly Investment Review

Pawlisch reviewed the previously distributed report titled "Nevada System of Higher Education First Quarter 2017 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, the fixed income markets, and other capital markets.

Referring to Sections 2, 3, 4, and 5 of the Discussion Guide, Pawlisch provided an update on the Plans' asset allocation and manager performance. Pawlisch reviewed contribution and transfer activity. The Committee also discussed potential quarterly tracking of trends and Pawlisch agreed to follow up on how that may be accommodated in future reports. Pawlisch then reviewed the allocations of the Morningstar-Ibbotson model portfolios offered in the Plans. Pawlisch reviewed an Annual Investment Fee Transparency and advised that the Plans' investment management fees appear to be generally low, with minimal revenue sharing.

Pawlisch reviewed a previously distributed report titled "Nevada System of Higher Education, Preliminary Monthly Investment Review, April 30, 2017."

In reviewing the above-noted reports, Pawlisch 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' IPS. After thorough discussion and review of the materials provided, the Committee agreed in the best interests of the Plans' participants and beneficiaries to the following actions:

Add to the "watch" list:

- Laudus Mondrian Emerging Markets Instl.

Maintain on the "watch" list:

- Neuberger Berman High Income Bond Fund (noting its replacement with the Nomura High Yield Fund effective 5/19/17)

Remove from the "watch" list:

- Cohen & Steers Institutional Realty Shares Fund
- Diamond Hill Large Cap Fund
- T. Rowe Price Institutional Large Cap Growth Fund

Other Business

Referring to Section 6 of the previously distributed Discussion Guide, Steen reviewed a "Quarterly Update, Aon Hewitt Retirement Legal Consulting & Compliance, First Quarter 2017." Steen presented the information from select articles and led a discussion of the issues noted and the effect they may have on the Plans and the Committee.

Steen provided an update on the Department of Labor's new fiduciary rule, noting that June 9, 2017 is the revised applicability date. Kelley indicated that TIAA is creating a separate group to deal with participants when advice recommendations are requested by participants. Ervin commented on Nevada Senate Bill 383, related to fiduciary status of "financial planners," which would remove exclusions for broker-dealers and their representatives. Steen provided an update on recent litigation involving several private higher education institutions. The Committee considered the information discussed and its potential impact to the Committee and the Plans.

Kelley led a discussion in regards to the agenda and logistics for the fourth quarter 2017 Committee meeting. The Committee agreed to the scheduling of a two day in-person meeting in Las Vegas on November 30 and December 1, 2017 including a two hour meeting with TIAA. The Committee agreed that topics to be considered should include:

- TIAA review of demographics and trends of the Plans and participants, including fund cash flows based on participant investment elections as compared to those in model portfolios
- TIAA review of the Plans' Morningstar-Ibbotson model portfolios and methodology for "shadow" portfolios
- TIAA update regarding DOL Fiduciary Rule and their approach
- TIAA information technology update
- Presentation by a fund manager, such as DFA or Nomura
- Two investment alternative searches: stable value and ESG
- Review the suitability of having an active emerging markets fund (the Laudus Mondrian Fund) on the investment menu.

The Committee agreed that the Spring 2018 Committee meeting should be held in Las Vegas and the May 2018 two-day meeting should be held in Elko. Kelley indicated that she would work on identifying dates for the May meeting that did not conflict with graduation, if possible, and would follow-up via email. Kelley indicated that the next regularly scheduled Committee meeting is scheduled to be held via video conference on August 18, 2017 from Reno.


There being no further business before the Committee, the meeting was adjourned at 11:20 a.m.

Minutes approved:



Michelle Kelley, RPA Executive Officer

8/28/17
Date



Nicholas G. Vaskov, Vice Chancellor for Legal Affairs

9/11/17
Date