

**Nevada System of Higher Education (“NSHE”)
Minutes of
Retirement Plan Advisory Committee Meeting
August 18, 2017**

The Retirement Plan Advisory Committee (“Committee”), the fiduciary committee for the Nevada System of Higher Education Defined Contribution Retirement Plans (“Plans”), met on August 18, 2017 via video conference at System Administration Reno, System Administration Las Vegas, Great Basin College, Elko, and Western Nevada College, Carson City. Present were voting members: Michelle Kelley (Chair), Migle Valunte (Business Center North; “BCN”), Kent Ervin (University of Nevada, Reno; “UNR”), Cheri Canfield (Nevada State College; “NSC”), Paul Thistle (University of Nevada, Las Vegas; “UNLV”), Bob Whitcomb (Western Nevada College; “WNC”), Scott Nielsen (Great Basin College; “GBC”), Daniel Williams (Truckee Meadows Community College; “TMCC”), and Brad Summerhill (Faculty Senate Chair). Voting members Pat La Putt (Business Center South; “BCS”) and Jerry Lockhart (College of Southern Nevada; “CSN”) were unable to attend.

Attending the meeting by invitation were Daniel Pawlisch, Leon Kung, and Joe Steen (via teleconference) of Aon Hewitt Investment Consulting (“AHIC”).

Call to Order

The meeting was called to order at 9:05 a.m. by Kelley.

Approval of Minutes from May 18 and 19, 2017

The Committee reviewed the minutes from the previous Committee meetings held on May 18 and May 19, 2017. Following discussion, the Committee approved the minutes as written.

Mr. Summerhill joined the meeting.

Executive Officer Report

Kelley informed the Committee that the Vice Chancellor of Legal Affairs agreed to the numerous recommendations brought forth from the May 18, 2017 Strategic Planning Meeting which included the following:

1. Reducing in the annual NSHE plan administration fee to 0.020%.
2. Limiting the percentage of assets a participant can invest in the brokerage window to 95%.
3. Assessing the administrative fees associated with a participant’s brokerage window account from their non-brokerage assets.
4. Using average daily fund balances to calculate and credit revenue sharing.
5. Limiting new loans to the current record keeper, TIAA.
6. Plan level mapping of the asset balances that can be moved without the consent of participants from the following legacy vendors to the RC/RCP contracts at TIAA in 2018: T. Rowe Price, Fidelity, and VALIC.
7. Plan level mapping of the asset balances that can be moved without the consent of participants in proprietary mutual funds at TIAA to the RC/RCP contracts at TIAA in 2018.

Kelley indicated that she would work with TIAA to make the changes to items one through six above effective October 1, 2017.

Kelley detailed the proposed communications to inform participants of the changes to fees, loans, and the brokerage account. She indicated that a newsletter detailing the changes will be followed by a postcard communication and then finally a letter to participants. She informed the Committee that an additional letter would be sent to participants with more than 95% of assets allocated to the brokerage window explaining the change and detailing any required actions. Kelley noted that the change to the loan policy will require a Plan Amendment and an update to the loan policy document. Both documents have been completed and are currently with the Chancellor for adoption.

Kelley provided an update regarding TIAA's service experience. She noted that TIAA will be assigning a new resource in Las Vegas, Sheamus Ewing. Ewing will assist Tracy Eastman in the capacity of Relationship Manager. Ewing is currently a Transition Manager located in TIAA's Denver, CO office. Before that, he was a Transition Analyst. Ewing has agreed to relocate to Las Vegas to better serve NSHE participants. TIAA's plan is to transition Ewing into the role of Relationship Manager over an extended period of time. Ewing will be in attendance at the November 30, 2017 Committee meeting.

Kelley led a discussion regarding Nevada Senate Bill 383, which imposes a fiduciary duty on TIAA's financial advisors. The new legislation is open to a comment period. TIAA is expected to provide information regarding their relevant disclosures as a result of the new legislation at the November 30, 2017 Committee meeting.

Kelley informed the Committee that Vanguard reduced the fees of their Institutional class shares of their Target Date Retirement Fund Series from 0.10% to 0.09%, effective July 26, 2017.

Kelley noted that the November 30, 2017 and December 1, 2017 Committee meetings will be held in Las Vegas. The May 23 and 24, 2018 Committee meetings will be held in Elko.

Staff Reports

Valunte commented on the ongoing difficulties with TIAA's new loan process. Specifically, when participants request a loan, the amount is taken out of the participant's balance and Staff is not able to see the participant balance prior to the loan collateral being taken. This has created issues with NSHE's compliance review and has slowed down the approval process as Staff needs to contact TIAA to determine the pre-loan balance prior to authorizing the loan. Kelley agreed to set up a meeting with TIAA to discuss the process in greater detail.

Valunte noted participants in the North have been briskly setting appointments with the primary TIAA advisor. However, when Rachel Jensen is out of the office, participants have not been receptive to TIAA's backup advisor and attendance has dropped significantly. Kelley and Valunte agreed to explore possible solutions with TIAA.

Kelley discussed TIAA's new reporting capabilities for participant meetings with TIAA wealth management advisors. While this meeting information was previously confidential, TIAA is now sharing information on who has received advice in the previous twelve month period, and including the channel taken to get the advice, such as whether it was through IAS/wealth management. This information will help the RPA Executive Officer and Benefits Managers better understand who is meeting with IAS. .

Kelley noted that La Putt has been continuing to develop benefits and retirement processes for the Workday project and that testing was underway for the upcoming Workday implementation.

Quarterly Investment Review

Pawlisch reviewed the previously distributed report titled "Nevada System of Higher Education Second 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, and the fixed income markets.

Referring to Sections 2 and 3 of the Discussion Guide, Kung 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 (IPS). After thorough discussion and review of the materials provided, the Committee agreed to maintain the Laudus Mondrian Emerging Markets Fund on the "watch" list.

Kung reviewed the allocations of the Morningstar model portfolios available in the Plans. Based upon recent discussions with TIAA, he noted that the model portfolio and benchmark allocations were not static and will change on a periodic basis. Kung has requested the historical allocations for the Morningstar model portfolios and benchmarks from TIAA. At the next regularly scheduled meeting, he will provide updated performance information for both the base model portfolios and the "shadow" portfolios which are utilized when a participant already has a meaningful exposure to TIAA Traditional. Kung will also provide a historical performance comparison of the static allocation portfolios versus the dynamic allocation portfolios. Kelley indicated there is no way for TIAA to automatically track if participants are taking action based upon the advice they receive from TIAA. However, TIAA advisors have been taking notes if participants are selecting a Vanguard Target Retirement fund or a Morningstar model portfolio. Representatives from TIAA will provide a summary of that information at the November 30, 2017 Committee meeting.

Continuing in the Discussion Guide, Pawlisch reviewed an Annual Investment Fee Transparency, noting that the Plans' investment management fees appeared reasonable, with minimal revenue sharing. He also noted that the next fee break for the collective trust versions of Vanguard's Target Retirement Trusts was at \$500 million in assets. By moving from the Trust II suite to the Trust I suite, fees would be reduced from 8 basis points (bps) to 7 bps. Pawlisch agreed to work with Vanguard to determine if NSHE would qualify for the Trust I suite given NSHE's overall relationship with Vanguard. Additionally, Kelley would work with TIAA to coordinate the change, as it would qualify as an investment change and may take three to four months for TIAA to implement.

Referring to Section 4, 5, and 6 of the Discussion Guide, Kung reviewed Flash Reports titled "Vanguard Group, Inc. – CEO Transition," "PIMCO – Jay Jacobs Retirement," and "William Blair & Company LLC – Ratings Update for Small Cap Growth and SMID Cap Growth Strategies." He presented the information and led a discussion of the issues noted and the effect they may have on the Plans and the Committee.

Referring to a previously distributed report titled "Nevada System of Higher Education, Preliminary Monthly Investment Review July 31, 2017," Kung reviewed the Plans' investment performance for the period ending July 31, 2017.

Other Business

Referring to Section 6 of the Discussion Guide, Steen reviewed a "Quarterly Update, Aon Hewitt Retirement Legal Consulting & Compliance, Second Quarter 2017." He 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.

Kelley reminded the Committee members that the next Committee Meeting would be a two day meeting in Las Vegas scheduled for November 30, 2017 and December 1, 2017. She informed the Committee that Dimensional Funds Advisors (DFA) had accepted an invitation to address the Committee and detail their unique investment methodology. Additionally, TIAA will be providing a service review to the Committee, including an in depth discussion of the implementation of the processes to address the fiduciary rule (DOL and State of Nevada). The Committee has also requested a number of fund searches which will be on the agenda, including stable value, ESG and a competitive review of the Plans' actively managed emerging market fund.

There being no further business before the Committee, the meeting was adjourned at 11:55 a.m.

Minutes approved:


Michelle Kelley, RPA Executive Officer

12/1/17
Date Signed

Reviewed by:


Nicholas G. Vaskov, Vice Chancellor for Legal Affairs

12/15/2017
Date Signed