

**Nevada System of Higher Education (“NSHE”)  
Minutes of  
Retirement Plan Advisory Committee Meeting  
February 16, 2018**

The Retirement Plan Advisory Committee (“Committee”), the fiduciary committee for the Nevada System of Higher Education Defined Contribution Retirement Plans (“Plans”), met on February 16, 2018 via video conference at System Administration Las Vegas, System Administration Reno, Great Basin College, Elko, and Western Nevada College, Carson City. Present were voting members: Michelle Kelley (Chair), 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”), Brad Summerhill (Faculty Senate Chair), Jennifer Schultz (Desert Research Institute; “DRI”), and Pat La Putt (Business Center South; “BCS”). Voting members Migle Valunte (Business Center North; “BCN”), Kent Ervin (University of Nevada, Reno; “UNR”), 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 November 30 and December 1, 2017**

The Committee reviewed the minutes from the previous Committee meetings held on November 30, 2017 and December 1, 2017. Following discussion, the Committee approved the minutes as written.

### **Executive Officer Report**

Kelley provided an update to the Committee on the implementation of fund additions and changes approved at the November 30, 2017 and December 1, 2018 Committee meetings. She indicated that the changes were implemented on February 13, 2018, including the implementation of a lower-cost share class of the Vanguard Institutional Index Fund that became available due to lowered minimum investment requirements. Kelley noted that the Vanguard Institutional Index Fund share class transition required manual intervention by TIAA during which resulted in an error. She also noted that the T. Rowe Price (“TRP”) Stable Value Fund had a \$1 million minimum starting investment that TRP was reluctant to waive for NSHE. Following discussions, TRP agreed to support an in-kind mapping of legacy TRP Stable Value Funds currently being record kept at TRP and agreed to that these would count towards meeting the \$1 million requirement which NSHE would have 12 months to reach. Kelley noted that all other TRP assets were being mapped to the RPA’s target date funds by participant date of birth as previously agreed.

Kelley discussed TIAA's implementation of average daily fund balances to calculate their recordkeeping fees and to credit revenue sharing reimbursements for the Plans. She indicated that TIAA ran into data integrity issues for all of its clients during the fourth quarter of 2017. As a result, there were incorrect fee calculations which negatively impacted the quarterly assessments. TIAA unilaterally reversed all of the original fee deductions without NSHE's approval. As a result, participants received statements from TIAA showing fee deductions and credits. Several days later, TIAA applied the correct recordkeeping fee deductions and made the fund-level revenue sharing reimbursements pursuant to the new methodology. Kelley indicated that NSHE's Service Level Agreement penalties were imposed against TIAA; a \$4,000 penalty for late revenue sharing credits and a \$12,000 penalty for overall satisfaction.

Kelley advised the Committee that the legacy TRP and TIAA asset mappings were scheduled to be completed in March. She indicated that TIAA suggested accelerating mapping of legacy Fidelity and VALIC assets. However, loans are involved and there are questions regarding the contract for the VALIC Fixed Interest Option which are still being investigated by AHIC. The Committee agreed to proceed with the Fidelity and VALIC asset mapping strategies as soon as administratively feasible following the satisfactory resolution of the issues noted.

Mr. Summerhill joined the meeting.

## **Staff Reports**

La Putt provided an update on the legacy TIAA asset mapping, noting that only a couple of participants at UNLV had questions. She indicated that certain UNLV participants had indicated they received communications about the Plans via e-mail from a non-approved advisor not affiliated with TIAA or NSHE. She noted that participant e-mail addresses are subject to public domain and, as such, may be accessible by non-approved advisors. La Putt has followed up with the impacted participants to ensure there were no problems.

La Putt provided an update on the Workday implementation, stating there were some "mistake-of-fact" corrections that needed to be made. In addition, contribution timing issues have been resolved and are within required time frames. Kelley noted that La Putt, Valunte, and other NSHE staff members are continuing to actively work on the Workday implementation and are identifying and resolving issues.

Kelley provided a Benefits Manager North report in Valunte's absence. She stated that TIAA's Individual Advisory Services ("IAS") group hired Jenny Goodman in December 2017 as a new advisor. She is already booked out 4 to 6 weeks; Bryton Lewis was also recently hired in the North. Rae Jensen, TIAA financial consultant in Reno, has been promoted within TIAA and would depart the financial consultant role in early April and TIAA is looking for a replacement.

Kelley stated that TIAA's IAS group is the only group that can advise participants regarding Required Minimum Distributions ("RMDs") and that Valunte recently reviewed a participant compliant regarding annuity contract balances that were not included in statements and which created an issue for RMD purposes. Kelley and Valunte continue to address RMD issues with TIAA's IAS group.

## **Quarterly Investment Review**

Pawlish reviewed the previously distributed report titled "Nevada System of Higher Education Fourth Quarter 2017 Discussion Guide." He commented on the current state of the overall economy, the domestic and international equity markets, and the fixed income markets. Kung provided an update on the Plans' asset allocation, contributions, and investment transfers. He reviewed manager performance and 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"). Kung noted that the Laudus Mondrian Emerging Markets Fund which was on "orange" watch list status for the fourth quarter had been terminated from the Plans effective February 13, 2018. Pawlish agreed to follow-up with an updated watch list report that includes the new managers that were added to the Plans on February 13, 2018.

Pawlish and Kung reviewed an Annual Investment Fee Transparency, illustrating current investment management fees and revenue sharing for each of the Plans' fund options. Kelley asked if TIAA's recordkeeping fee could also be illustrated and Pawlish agreed to update the illustration for future reports.

Kung reviewed the allocations of the Morningstar model portfolios available within the Plans. Kelley indicated that, due to equity wash provision concerns, TIAA is using the TRP Stable Value Funds in their model portfolios, instead of the Vanguard Federal Money Market Fund.

Referring to a previously distributed report titled "Nevada System of Higher Education, Preliminary Monthly Investment Review January 31, 2018," Kung reviewed the Plans' investment performance for the period ending January 31, 2018.

After thorough discussion and review of the materials provided, the Committee agreed, in the best interest of the Plans' participants and beneficiaries, to make no changes to the Plans' active investment line-up at this time.

Pawlish reviewed the previously distributed report titled "Nevada System of Higher Education Fourth Quarter 2017 Legacy Defined Contribution Plan Review." He led a discussion of AHIC's annual review of the investment performance and fees for the Plans' frozen legacy assets with Fidelity, TIAA, and VALIC, noting that the Committee is in the process of mapping and consolidating legacy vendor assets where possible. The Committee agreed to maintain the current watch list reporting process. Kelley indicated she will post the report on NSHE's website in conjunction with other reports in approximately one week.

## **Other Business**

Referring to the Discussion Guide, Steen reviewed a "Quarterly Update, Aon Hewitt Retirement Legal Consulting & Compliance, First Quarter 2018." 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. During a discussion regarding the 2017 Tax Cuts and Jobs Act, Kelley indicated that outside counsel, Ice Miller, had indicated that no plan document changes would be necessary for the Plans due to the new tax

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reform legislation. Kelley noted that potential excise tax considerations for employee compensation exceeding \$1 million, as related to 415(b) Excess Benefit Plan full payout distributions, are being reviewed with counsel and NSHE's senior management. She will report back to the Committee with any updates.

Kelley reminded the Committee members that the next Committee Meeting is scheduled to be held over a two-day period, May 23 and 24, 2018, in Elko. She will confirm the dates and times for the meetings, as well as travel considerations, with Committee members via e-mail.

There being no further business before the Committee, the meeting was adjourned at 11:25 a.m.

Minutes approved:

  
Michelle Kelley, RPA Executive Officer

5/29/18  
Date Signed

Reviewed by:

  
Nicholas G. Vaskov, Vice Chancellor for Legal Affairs

5/13/18  
Date Signed