

**Nevada System of Higher Education (“NSHE”)
Minutes of
Retirement Plan Advisory Committee Meeting
May 23, 2018**

The Retirement Plan Advisory Committee (“Committee”), the fiduciary committee for the Nevada System of Higher Education Defined Contribution Retirement Plans (“Plans”), met on May 23, 2018 at Great Basin College in Elko, NV.

Present were voting members: Michelle Kelley (Chair), Scott Nielsen (Great Basin College; “GBC”), Cheri Canfield (Nevada State College; “NSC”), Paul Thistle (University of Nevada, Las Vegas; “UNLV”), Daniel Williams (Truckee Meadows Community College; “TMCC”), Brad Summerhill (Faculty Senate Chair), and Pat La Putt (Business Center South; “BCS”), Micle Valunte (Business Center North; “BCN”), Kent Ervin (University of Nevada, Reno; “UNR”), Jerry Lockhart (College of Southern Nevada; “CSN”), and Jennifer Schultz (Desert Research Institute; “DRI”) all being voting members of the Committee.

Bob Whitcomb (Western Nevada College; “WNC”) submitted his apologies and was not in attendance at the meeting.

Attending the meeting by invitation was Daniel Pawlisch of Aon Hewitt Investment Consulting (“AHIC”) along with Seamus Ewing, Bob Murray, Cindy Wilson, David Martinez, and Patty Harte of TIAA.

Call to Order

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

Kelley noted that Dan Williams has retired from NSHE. However, he will be staying on as retiree representative.

Kelley noted that Cheri Canfield will also be leaving NSHE and the Committee. Kelley will be working over the next several weeks to identify her replacement.

Approval of Minutes from February 16, 2017

The Committee reviewed the minutes from the previous Committee meetings held on February 16, 2018. Following discussion, the Committee approved the minutes as written.

Quarterly Investment Review

Pawlisch reviewed the previously distributed report titled “Nevada System of Higher Education First Quarter 2018 Discussion Guide.” He commented on the current state of the overall economy, the

domestic and international equity markets, and the fixed income markets during the first quarter of 2018.

Pawlisch then provided an update on the Plans' asset allocation, contributions, and net fund transfers 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").

Pawlisch noted that the Laudus Mondrian Emerging Markets Fund was removed from the Plans on February 13, 2018. In addition, the Vanguard FTSE Social Index Fund and T. Rowe Price Stable Value Fund were added to the Plans at that time.

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 lineup at this time.

Executive Officer Report

Kelley advised the Committee that the T. Rowe Price Stable Value was not added to the Pre-99 403(b) Plan as part of the February investment menu modifications due to it being a common trust fund (CIT). Current regulations states that a CIT is not a permissible investment vehicle for a 403(b) Plan.

Kelley advised the Committee that with the addition of the Medical School at UNLV and an expansion of nurse programs across the state, there is a strong push for new faculty into these disciplines. This is leading to some employees hired by NSHE holding two full-time (or near full-time) positions. Many of the larger employers in the South participate in NV PERS, and NSHE is seeing an uptick in the number of full-time employees who have NV PERS through an alternative employer. Under the regulations, an employee can either be enrolled in NV PERS or the RPA, but not both. When an employee is a current NV PERS participant (regardless of employer) and they are employed by NSHE, then they must be enrolled in the FICA Alternative Program. Kelley has been consulted on a couple of cases of dual enrollment (NV PERS with one employer and RPA with NSHE) at one of the Colleges in the South. As this construct is not allowed, each case must be corrected. Kelley indicated she will monitor the situation, but if any additional cases come to light she discussed the possibility of having to audit the existing population to identify potential offenders.

Staff Reports

South

La Putt indicated that employees are continuing to submit loans directly to TIAA instead of working with the NSHE benefits office. Unfortunately, this approach has created problems as many of the messages from TIAA to the NSHE benefits office are left in a "holding pattern" until the participant contacts the NSHE benefits office directly.

La Putt noted an increase in the number of employees who are retiring and are being referred to a TIAA Financial Consultant instead of a Wealth Manager for assistance in completing distribution paperwork. Initial feedback from these participants has been positive.

La Putt indicated that over 100 employees recently attended a UNLV benefits fair.

North

Valunte indicated that she has been dealing with three primary issues in the North: people complaining about TIAA, the recent New York Times articles disparaging TIAA, and ongoing turnover among TIAA's advisors. She noted that Rae Jensen from TIAA has been making personal handoffs and setting up appointments with the new advisors in advance of her departure. Feedback regarding TIAA's new advisors has been positive. However, Valunte also noted that TIAA representatives are not checking in with her when they are on campus. She has also notice a trend for TIAA to push participants to see a Financial Consultant before meeting with a Wealth Manager.

Valunte provide an update regarding a participant complaint alleging that TIAA had falsified documents. She noted that the ensuing FINRA complaint and TIAA's subsequent investigation have been ongoing for the past three months and TIAA has been very discreet about the investigation. Valunte has only received updates from the participant in regards to what is happening. Despite TIAA's assurances that they would remedy the situation, the matter remains ongoing which has only irritated the participant more. After thorough discussion, Kelley advised the Committee that she would work with Valunte and representatives from TIAA to assist in finding a resolution to the situation. Kelley will provide an update to the Committee at the next regularly scheduled meeting.

Kelley suggested that the Committee restrict TIAA's Wealth Managers from visits the NSHE campuses until the challenges being experienced in the North are resolved. Valunte flagged the idea of a participant survey being distributed by NSHE to quantify the quality and availability of services from TIAA rather than relying on TIAA's surveys. Ervin expressed concerns that the existing messaging might appear to be endorsing TIAA's Investment Advisory Services (IAS) or retail side of the shop when no vetting of these individuals is being performed by the Committee. He suggested that the Committee work to identify performance guarantees around participant satisfaction and problem resolution (i.e., 30 days maximum) that could be incorporated into the existing service agreement.

Kelley agreed to explore the feasibility of a participant survey but noted that the services currently provided are all part of the existing service agreement with TIAA. As such, she will explore ways to improve the existing language in advance of the proposed 2019 RFP project.

Total Plan Cost Analysis

Referring to a report titled "Total Plan Cost Analysis, Nevada System of Higher Education – Active, Legacy, and Combined Plans." Pawlisch led a discussion comparing the investment and administrative costs of the Plans to a "Best-Fit" subset of similar plans, based on asset size and participant counts. Following thorough discussion, and based upon information contained in the

report, the Committee concluded that the investment and administrative fees for the active Plans appear to be reasonable and commensurate with the services being provided. The Committee also agreed that monitoring Plan revenue should continue periodically to ensure that it remains reasonable.

TIAA

Representatives from TIAA joined the meeting.

Ewing provided an overview of the items representatives from TIAA would discuss with the Committee.

Pricing

Murray reviewed a fee proposal with the Committee that would cap TIAA's annual recordkeeping fee at \$55 per unique participant. He explained how TIAA's proposed fee is based upon various factors, including the existing service model, the proposed team, the potential for growth, comparable size clients, the number of campus visits, the complexity of NSHE's plans (fixed and variable costs), and the overall market place. He noted TIAA's pricing methodology is an art as much as it is a science.

Ervin requested clarification in regards to the proposed service team. Murray indicated that TIAA's field consulting group is a plan level service that includes two full time equivalents. In addition, he noted that retail services provided by IAS not being factored into pricing model. Pawlisch asked if TIAA would expand the number of Financial Consultants servicing NSHE if the Committee elects to eliminate IAS services. Murray indicated that such a decision would require TIAA to reconsider its \$55 per unique participant fee proposal. Kelley asked how TIAA determines the appropriate number of Financial Consultants for a client. Murray indicated that it is based upon the number of participants, client demand, and the Financial Consultants existing client load. Generally speaking, he noted that Financial Consultants can do up to 700 meetings per year. Given that NSHE has averaged around 600 -650 meetings per year, two full time equivalents is what has been included.

Indemnification

Harte discussed the indemnification language proposed by TIAA that would indemnify NSHE for TIAA's IAS services. Schultz asked if there would be a disclosure to participants. Harte indicated that such an approach would require further consideration by TIAA.

Harte reviewed a brochure detailing the services provided by TIAA's Financial Consultant and those provided by IAS Wealth Managers. Pawlisch asked if a disclaimer could be added to the brochure indicating that NSHE does not support IAS services. Harte indicated that such an approach would require further consideration by TIAA.

IAS Services

Wilson discussed the differences between TIAA's various retirement income tools.

Valunte noted that capacity for TIAA's Wealth Managers is not being shared with NSHE's benefit managers. Wilson indicated a need for confidentiality given that participants form very close and personal relationship with TIAA's Wealth Managers. Valunte questioned the merits of continuing to refer participants to IAS so long as the process remains secretive and lacks transparency.

Wilson provided an update on the Nissan participant complaint. She noted that TIAA has finished its investigation and will be sending a summary letter to the participant. Kelley asked that she be provided with a copy of the letter. Wilson also indicated that the Nissans could continue working with IAS, so long as they agree to TIAA's process.

Kelley expressed the need to implement performance guarantees around participant complaints, including required NSHE representative notifications, accurate investigation, timely resolutions, etc. In short, NSHE's Executive Officer needs to know how a situation is being handled now and on an ongoing basis.

Representatives from TIAA left the meeting.

Other Business

IAS Services

Kelley noted the need for participants to have access to sound investment advice for assets inside and outside of the Plans. However, she expressed concern that the campuses may be oversubscribing to IAS services based upon the feedback provided during the meeting. As a result, she suggested formalizing an approach where participants would first be directed to a TIAA Financial Consultant. Based upon the evaluation of the participant's needs, the Financial Consultant would then be recommended to a Wealth Manager. Such an approach might better delineate the types of services that TIAA Financial Consultants can assist with.

Kelley also expressed a need to better educate participants about the items they need to bring to an advisory meeting with a TIAA Financial Consultant/Wealth Manager.

Pricing Discussion

Kelley reviewed the NADGCA Fiduciary standards document. After thorough discussion and review of the materials provided, she recommended the Committee:

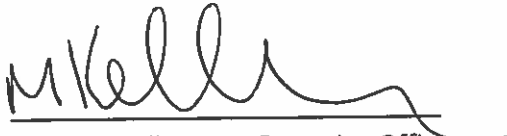
1. Extend TIAA's contract for two years (effective July 1, 2018).
2. Approve a new annual fee methodology of no more than \$55 per head or 3.9 basis points – applied pro rata.

3. The Executive Officer negotiate additional terms:
 - a. A buffer around applying the \$55 in basis points
 - b. Capping TIAA's fee at 3.9% for price protection
 - c. Establishing a "triggering" event that would move NSHE's and/or TIAA's fee down based upon growth or budgetary needs

Ervin made a motion to approve the recommendation. Nielsen seconded. Motion was unanimously approved.

Kelley reminded the Committee members that the next Committee Meeting is scheduled to be held on August 17th in Reno.

There being no further business before the Committee, the meeting was adjourned at 5:00 p.m.


Michelle Kelley, RPA Executive Officer

August 17, 2018
Date Signed

Reviewed by:


Joe Reynolds, NSHE General Counsel

December 18, 2018
Date Signed