

**Nevada System of Higher Education (“NSHE”)  
Minutes of  
Retirement Plan Advisory Committee Meeting  
December 4, 2018**

The Retirement Plan Advisory Committee (“Committee”), the fiduciary committee for the Nevada System of Higher Education Defined Contribution Retirement Plans (“Plans”), met on December 4, 2018 at the System Administration Office in Las Vegas, NV. Present were voting members: Michelle Kelley (Chair), Paul Thistle (University of Nevada, Las Vegas; “UNLV”), Zarah Gayrama-Borines (Nevada State College; “NSC”), Liliana “Lily” Magana (Business Center South; “BCS”), and, via video conference, Jennifer Schultz (Desert Research Institute; “DRI”), Kent Ervin (University of Nevada, Reno; “UNR”), Migle Valunte (Business Center North; “BCN”), Amy Cavanaugh (Truckee Meadows Community College; “TMCC”), Scott Nielsen (Great Basin College; “GBC”), and Bob Whitcomb (Western Nevada College; WNC), all being voting members of the Committee.

Voting Committee member Jerry Lockhart (College of Southern Nevada; “CSN”), Daniel Williams (Retiree), and Brad Summerhill (Faculty Senate Chairs) were unable to attend.

Attending the meeting by invitation was Joe Reynolds of NSHE along with 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 8:30 a.m. by Kelley.

Kelley welcomed Cavanaugh and Gayrama-Borines to the Committee as new voting members.

### **Approval of Minutes from August 17, 2017**

The Committee reviewed the minutes from the previous Committee meeting held on August 17, 2018. Following discussion, the Committee approved the minutes as written.

### **Overview of Fiduciary Responsibilities**

Kelley reviewed the contents of a previously distributed document titled “Fiduciary Duties.” She provided a summary of the fiduciary oversight responsibilities of the Committee. She noted that the Plans are subject to various laws, including the Nevada Revised Statutes and the Internal Revenue Code and related regulations. Kelley indicated that while the Plans are not directly subject to the Employee Retirement Income Security Act of 1974 (ERISA), ERISA is considered as best practice and a guide for the Committee’s fiduciary oversight of the Plans.

Kelley indicated that NSHE’s Chancellor is the authorized Plan Administrator of the NSHE retirement plans and appoints Committee members, with day-to-day operations handled by a Delegated Authority,

NSHE's Chief General Counsel. She indicated that Joe Reynolds has recently assumed the role of NSHE's Chief General Counsel.

Kelley explained that each of the Plans has a written plan document and the RPAC considers potential design changes for the Plans, monitors the investment alternatives offered under the Plan, and provides recommendations to NSHE's Chief General Counsel/Chancellor.

## **Executive Officer Report**

Kelley provided an update on the asset consolidations from VALIC and Fidelity. She informed the Committee that the mappable assets at Fidelity transferred to TIAA on September 25, 2018 and the mappable assets at VALIC transferred to TIAA on September 26, 2018. Assets were mapped to an age appropriate Vanguard target date retirement fund. Kelley informed the Committee that TIAA is correcting an issue on participant loans from Fidelity wherein repayment banking data was only uploaded to a participant's first loan and not any subsequent loans. Representatives from TIAA have contacted impacted Fidelity participants to discuss corrective measures.. Kelley added that banking information was not transmitted from VALIC for those VALIC participants who have retirement loans and therefore repayment data needs to be reestablished to continue repayments. Representatives from TIAA have contacted impacted VALIC participants. Regarding systematic payments with Fidelity and VALIC, Kelley indicated that TIAA is reaching out to impacted participants to reestablish paymentst as payment instructions did not transferred automatically.

Kelley stated that representatives from TIAA will be addressing Required Minimum Distributions (RMDs) at year end.

Kelley informed the Committee that RPA assets in the Vanguard Target Retirement Trusts transitioned from the Trust I series to the lower-cost Trust Plus series on October 25, 2018.

Kelley indicated that the negotiation of TIAA's fee renewal agreement continues. She provided an update, noting that negotiations have reduced TIAA's recordkeeping fee from 3.9 basis points to 2.3 basis points, subject to a \$765,000 cap on compensation. The basis point fee was determined by multiplying the September 30, 2018 unique participant count (15,178) by \$48 per unique participant, equaling \$728,500. This sum is then dividing by the combined Plans' assets as of September 30, 2018 to determine the basis point fee. To determine TIAA's fee cap of \$765,000, TIAA adds an additional 5% cushion to the unique participant count to protect against downside market risk. The effective date for the new pricing structure will be October 1, 2018. For 2019 - 20, TIAA will review the number of unique participants as of September 30, 2019 and will conduct the same pricing calculation to determine the basis point fee and fee cap for the next year. Kelley informed the Committee that TIAA is drafting an amended recordkeeping services agreement to reflect the pricing changes. She indicated that it will include an agreement to limit cross-selling, as well as several new service level agreement items. Following review by AHIC and external counsel, Kelley will work to finalize the agreement and will forward to Joe Reynolds for signature.

## **Staff Reports**

### North

Valunte indicated that she received five participant complaints regarding the transition of assets from Fidelity and VALIC to TIAA. Three complaints were regarding non-NSHE-assigned Wealth Management Advisors soliciting participants. Two complaints were from participants indicating they received no advanced notification of the transition.

Valunte provided an update on TIAA. She noted that while complaints regarding TIAA representatives have reduced, one participant had reported receiving persistent calls from an out-of-state wealth manager regarding their account. She also indicated that advice sessions at the campuses in the North have been well attended due to new employee orientations.

Valunte noted there have been numerous inquiries about the T. Rowe Stable Value Fund. She suggested developing a communication that could be distributed to participants.

### South

Magana provided an update regarding the Fidelity and VALIC asset transition. She indicated that several participants whose assets transferred from VALIC have contacted her indicating that they were not informed about their systematic withdrawals stopping and needing to renew them with TIAA. Magana also indicated that addresses were not retained for terminated participants with Fidelity.

Magana indicated that she had heard from three participants who indicated that TIAA had set them up with RMDs even though they were actively employed; one participant was retiring in December 2018. Magana agreed to provide the individuals' names to Kelley for follow-up with TIAA. Kelley indicated, per regulation, participants need to take RMDs directly from the RPA (401a) and she has been working with TIAA to ensure RMDs are being taken as required.

Magana indicated that TIAA has conducted several virtual meetings with participants and that participant feedback has been positive.

## **Introduction of Chief General Counsel**

Joe Reynolds, Chief General Counsel for NSHE, introduced himself to the Committee.

## **Quarterly Investment Review**

Referencing a previously distributed report titled "Nevada System of Higher Education Third Quarter 2018 Quarterly Investment Review", Pawlisch reviewed the Plans' Investment Policy Statement ("IPS"), including the investment monitoring process. The Committee considered the information and its impact to the Plans and the Committee.

Pawlisch reviewed a previously distributed report titled "Nevada System of Higher Education Third 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 third quarter of 2018.

Kung provided an update on the Plans' asset allocation. Kelley noted that there are remaining legacy contract assets with TIAA, VALIC, and American Century that can only be moved upon participant direction.

Kung 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' IPS. After thorough discussion and review of the materials provided, the Committee agreed to add the DFA Inflation Protected Securities Fund to the "watch" list.

Pawlich provided an update on the Plans' contributions and net fund transfer activity. He agreed to follow-up on the potential availability of rollover data from TIAA and he will expand the top-20 contributed funds listing to be inclusive of the top-24 for future reporting.

Kung reviewed the Annual Fee Monitoring & Transparency report, highlighting the revenue sharing credited back to participants by fund.

Kung reviewed the performance and asset allocation of the Morningstar advice model portfolios offered by TIAA. Pawlich explained details of how the portfolios are constructed.

Kung reviewed a previously distributed report titled "Nevada System of Higher Education October 31, 2018 Preliminary Investment Review". He discussed investment performance as of October 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 lineup at this time.

## **Other Business**

Kelley led a discussion of the scheduling of future Committee meetings. After discussion, the Committee agreed to schedule the next meeting for February 12<sup>th</sup>, via video conference. The next in-person meeting is targeted for May 22<sup>nd</sup> and 23<sup>rd</sup> at DRI in Reno. Dates were also tentatively set for August 16<sup>th</sup> at 9:00 a.m., via video conference and November 21<sup>st</sup> and 22<sup>nd</sup> at System Administration in Las Vegas.

Kelley discussed the work plan for future meetings. After discussion, Pawlich agreed to present an investment structure review at the February 12<sup>th</sup> meeting. For the May meeting, Kelley and Pawlich will investigate the potential for an investment manager to present; possibly T. Rowe Price or PIMCO.

Kelley advised that Committee that due to the upcoming expiration of AHIC's investment consulting contract, a Request for Proposal (RFP) will be conducted for an investment consultant for the Plans. After discussion, Kelley, Thistle, Valunte, and Whitcomb agreed to serve as an RFP sub-committee to conduct the RFP process, in conjunction with NSHE's purchasing department.

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Kelley noted that once the RFP process for an investment consultant has been completed, the next RFP will be a recordkeeper RFP regarding TIAA's recordkeeping services and fees.

There being no further business before the Committee, the meeting was adjourned at 11:45 p.m.

  
Michelle Kelley, RPA Executive Officer

February 12, 2019  
Date Signed

Reviewed by:

  
Joe Reynolds, NSHE Chief General Counsel

2-21-19  
Date Signed