

Nevada System of Higher Education ("NSHE")
Minutes of
Retirement Plan Advisory Committee Meeting
February 12, 2019

The Retirement Plan Advisory Committee ("Committee"), the fiduciary committee for the Nevada System of Higher Education Defined Contribution Retirement Plans ("Plans"), met on February 12, 2019 at the System Administration Office in Las Vegas, NV. Present were voting members: Michelle Kelley (Chair), Paul Thistle (University of Nevada, Las Vegas; "UNLV"), Liliana "Lily" Magana (Business Center South; "BCS"), Zarah Gayrama-Borines (Nevada State College; "NSC"), via video conference, Amy Cavanaugh (Truckee Meadows Community College; "TMCC"), Daniel Williams (Retiree), Jennifer Schultz (Desert Research Institute; "DRI"), Migle Valunte (Business Center North; "BCN"), Kent Ervin (University of Nevada, Reno; "UNR"), Brad Summerhill (Faculty Senate Chairs), 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") was 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 1:00 p.m. by Kelley.

Approval of Minutes from December 4, 2018

The Committee reviewed the minutes from the previous Committee meeting held on December 4, 2018. Following discussion, the Committee approved the minutes as written.

Executive Officer Report

Kelley provided an update on the 2018 asset consolidations from Fidelity and VALIC. She noted that TIAA was working to correct a situation wherein repayment banking data was only uploaded for a participant's first loan at Fidelity and not any subsequent loans.

Kelley advised the Committee that on February 14, 2019, TIAA processed a \$6,849 correction of overcharged fees for approximately 600 accounts and 300 participants previously in VALIC's Guided Portfolio Service; TIAA is allocating the money into the impacted participants' accounts at TIAA as soon as administratively feasible.

Kelley indicated that the negotiation of TIAA's fee renewal has been finalized. Joe Reynolds, NSHE's Chief General Counsel, signed the necessary agreement and the new fee went into effect as of October 1, 2018. Kelley noted that TIAA's fees were reduced to 2.9 basis points, subject to 5% annual dollar

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maximum, with NSHE's administrative fees reduced to 1.6 basis points. The agreement provides is for a two-year extension until September 30, 2020.

Kelley advised the Committee of a delay by TIAA assessment fourth quarter 2018 fees. She noted that TIAA should have assessed fees to participant accounts on December 31, 2018, but instead assessed them in the first quarter of 2019. Based on the assessment timing delay, Kelley indicated that she would be failing TIAA for the Plan Sponsor Satisfaction Service Level Agreement and will owe NSHE \$12,500 in penalties. Kelley noted that revenue credits had been posted correctly to participant accounts.

Kelley informed the Committee that she had attended a TIAA financial advisors forum in Reno. She discussed with NSHE's Benefit Managers the importance of sharing feedback with TIAA on a regular basis regarding its Individual Advisory Services ("IAS"). Kelley indicated that she had engaged in discussions with TIAA representatives regarding the importance of educating participants about all of the Plans investments options, including the T. Rowe Price Stable Value Fund. She also discussed TIAA's procedures for requiring participant to "opt-in" to IAS services. She noted that TIAA is currently unable to track those participants who provide their consent. While TIAA works to identify a solution, Kelley has asked TIAA to set all participant communications to "opt-out" until a solution can be identified. She will keep the Committee updated on progress.

Kelley provided an update on the Request for Proposal ("RFP") process for an investment consultant. She thanked Thistle, Valunte, and Whitcomb for volunteering to serve on the RFP evaluation team. Kelley noted that the RFP will be released on February 21, 2019 to 11 firms. Responses will be due on the close on March 28, 2019. Finalists meetings will be conducted on May 21, 2019 in Reno.

Staff Reports

South

Magana informed the Committee of a recent spike in loan activity in the South. She discussed several participant loan issues. One participant preciously defaulted on a loan, had repaid a loan, and wanted to take a new loan. TIAA would not issue a new loan and advised the participant to call NSHE. Magana indicated that while the handling of the loan was consistent with NSHE's loan policy, the participant has appealed the decision not to issue a new loan. Another participant requested a loan via the TIAA portal and it never appeared, due to a loan transferred from VALIC showing as defaulted at TIAA. Magana noted that NSHE did not charge its \$50 loan fee in this instance. A third participant was mentioned as having been told by a TIAA phone representative that spousal consent was required for a loan, when it actually was not for the Plan at issue.

Magana indicated that TIAA conducted several virtual meetings recently. Feedback from participants was not positive. The level of detail and support provided by TIAA was lacking. The participant expected the TIAA representative to walk them through their account virtually.

Magana indicated that she will be attending a TIAA leadership seminar in June 2019. She was also invited by TIAA to join a two-year leadership program.

North

Valunte indicated that while loan activity remained consistent, distribution activity had increased.

Valunte raised settlor questions regarding the availability of Roth provisions in the Plans. Kelley noted that the Retirement Plan Alternative ("RPA") cannot provide Roth provisions, as all contributions are mandatory. Additionally, Roth conversions are not permitted in any of the other Plans.

Quarterly Investment Review

Referencing a previously distributed a report titled "Nevada System of Higher Education Fourth Quarter 2018 Discussion Guide," Kung commented on the current state of the overall economy, the domestic and international equity markets, and the fixed income markets during the fourth quarter of 2018.

Continuing the review of the Fourth Quarter 2018 Discussion Guide, Kung discussed the Plan's asset allocation and noted 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. After thorough discussion and review of the materials provided, the Committee agreed with the "watch list" discipline that the DFA Inflation Protected Securities Fund be removed from the to the watch list and the Dodge & Cox Global Stock Fund be added to "yellow-level" watch list status.

Kung provided an update on the Plans' contributions and net fund transfer activity. Pawlisch indicated that he received confirmation from TIAA that certain transactions referenced as "rollovers" to the RPA were really plan transfers.

Kung reviewed the Annual Fee Monitoring & Transparency report, highlighting the revenue sharing credited back to participants by fund. He discussed that a lower-cost collective trust version of the Vanguard Target Retirement Trust Funds may be available the RPA when assets exceed \$1 billion.

Pawlisch noted that the Vanguard recently introduced an "Admiral" share class for the FTSE Social Index Fund. After thorough discussion, the Committee agreed to recommend to NSHE's General Counsel a transition from the Investor class shares to the Admiral class shares as soon as administratively feasible.

Kung reviewed the performance and asset allocation of the Morningstar advice model portfolios offered by TIAA.

The Committee discussed the potential of having certain investment managers present at the May Committee meeting. Pawlisch agreed to pursue discussions with PIMCO and T. Rowe Price. He will report back to Kelley regarding scheduling.

Pawlisch referenced the 2019 Compliance Calendar, noting that the Plans are not ERISA plans and are not subject to many of related items noted in the calendar.

Referencing a previously distributed report titled, "Nevada System of Higher Education Fourth Quarter 2018 Legacy Defined Contribution Plan Review," Pawlisch led the Committee in a discussion regarding investments with legacy contracts at TIAA and VALIC subject to participant direction. He noted that the report would be updated to show Fidelity's legacy assets.

Referencing a previously distributed report titled, "Nevada System of Higher Education Index Fund Restructuring Conversation," Pawlisch discussed potential restructuring the Plans' index funds. After thorough discussion, the Committee decided to have AHIC conduct a manager search for an international bond index fund. Pawlisch agreed to provide the results and the next regularly scheduled Committee meeting. Pawlisch also agreed to work with Ervin and Kelley to determine how managed account providers like Morningstar and Financial Engines might allocate to broader index fund options if the Plans' index funds were restructured.

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' investment lineup at this time, other than noted above.

There being no further business before the Committee, the meeting was adjourned at 3:30 p.m.


Michelle Kelley, RPA Executive Office

5/24/19
Date Signed

Reviewed by:


Joe Reynolds, NSHE General Counsel

6.12.19
Date Signed