

**Nevada System of Higher Education ("NSHE")**  
**Minutes of**  
**Retirement Plan Advisory Committee Meeting**  
**May 22, 2019**

The Retirement Plan Advisory Committee ("Committee"), the fiduciary committee for the Nevada System of Higher Education Defined Contribution Retirement Plans ("Plans"), met on May 22-23, 2019 at the Desert Research Institute in Reno, NV. Present were voting members: Michelle Kelley (Chair), Paul Thistle (University of Nevada, Las Vegas; "UNLV"), Lilliana "Lily" Magana (Business Center South; "BCS"), Zarah Gayrama-Borines (Nevada State College; "NSC"), 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 Leon Kung and Joe Steen of Aon Hewitt Investment Consulting ("AHIC"); Matthew Koelliker with PIMCO; and Maria Gagne and Wei-Yin Hu of Financial Engines.

### **Call to Order**

The meeting was called to order at 9:35 a.m. by Kelley.

### **Approval of Minutes from February 12, 2019**

The Committee reviewed the minutes from the previous Committee meeting held on February 12, 2019. Following discussion, the Committee approved the minutes as written.

### **Executive Officer Report**

Kelley distributed a document titled "Amendment No. 12 to the Amended and Restated Record Keeping Services Agreement Between Teachers Insurance and Annuity Association of America (TIAA) and Nevada System of Higher Education. She reviewed the contents of the document, discussing changes to the TIAA recordkeeping agreement effective January 1, 2019. In a discussion of the Impartial Advice standard, Kelley indicated that she had discussed with TIAA the importance of TIAA's Individual Advisory Services ("IAS") representatives discussing all of the Plans' available investment options with participants. Kelley noted that she, along with the Benefits Managers North and South, will meet with representatives from TIAA semi-annually to review and discuss IAS representative interactions.

The Committee discussed the potential for a NSHE generated surveys on participant interactions with TIAA representatives. Kelley noted that it did not appear that Workday had the capability of delivering surveys, so she is investigating other mechanisms of survey delivery and will report back to the Committee at a future meeting.

Kelley informed the Committee that the lower cost share class of the Vanguard FTSE Social Index Fund, previously approved by the Committee, was implemented in April 2019.

Kelley provided an update on Required Minimum Distributions ("RMDs") from the Retirement Plan Alternative ("RPA"). She indicated that TIAA had previously been notifying RPA participants about the need to take RMDs, but they did not force-out RMDs as required by the regulations. Kelley discussed the differences in RMD rules for 403(b) and 401(a) plans; 403(b) plans can combine RMDs from any 403(b) plan, whereas RMDs for a 401(a) must come from the specific

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401(a) plan. Kelley noted that TIAA processed the first RMD force outs at the end of March 2019 for participants who reached age 70½ in 2018 and must take their RMD by April 1, 2019. Kelley outlined the RMD process for 2019 and specified that NSHE will verify participant terminated dates and data, then TIAA will force out RMDs. Kelley indicated that the status of RMDs with the System's legacy vendors had been verified. Kelley noted that RMDs from TIAA were being reviewed back to 2014 to determine if there are any participants who may not have taken an RMD from the RPA. There are an estimated 260 participants impacted with a total of 672 payments. She is currently working with outside legal counsel, Ice Miller to determine the options available for correcting the issue.

Kelley informed the Committee that subject to the legislative session, the NV PERS employee and employer contribution rate will be increasing to 15.25% each for compensation earned beginning July 1, 2019. Per statute the NSHE RPA contributions will increase in line with the NV PERS rates.

### **PIMCO Presentation**

Koelliker joined the meeting and distributed a document titled "PIMCO Strategy Review 22 May 2019 Nevada System of Higher Education". He reviewed the contents of the document and provided an overview of PIMCO, the PIMCO Total Return Fund strategy and performance, and an economic outlook. The Committee considered the information presented and its impact on the Plans and their participants. Koelliker left the meeting.

### **Financial Engines Presentation**

Gagne and Hu joined the meeting and distributed a document titled "Wellness That Works With Financial Engines Nevada System of Higher Education". They provided an overview of Financial Engines as a firm and the methodology used for providing participant-level investment advice, noting that Financial Engines is not currently a service provider to the Plans. Gagne indicated that Financial Engines has relationships with twelve recordkeeping providers in the marketplace to share data of provide services, but they do not currently have an agreement with TIAA. Gagne conducted a demonstration of Financial Engine's website. She indicated that Financial Engines' advisor center can address Social Security needs, including the windfall elimination provision. Hu reviewed Financial Engines' portfolio construction and methodology. Gagne reviewed a sample standard pricing illustration. She indicated that participants would pay for managed account and personal advisor services based upon their use thereof. She indicated that NSHE may be able to eliminate Financial Engine's platform fees by making their full suite of services available and by allowing all statements and communications to be sent directly to participants. Gagne also explained Financial Engines' direct and sub-advised service models. Gagne and Hu left the meeting.

The Committee considered the information presented by Financial Engines and requested that TIAA's managed account and investment advice provider, Morningstar, present at a future Committee meeting. Kelley agreed to arrange the presentation, possibly for November 2019.

### **DRI Tour**

The Committee conducted a tour of Desert Research Institute.

## **Quarterly Investment Review**

Referencing a previously distributed report titled "Nevada System of Higher Education First Quarter 2019 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 first quarter of 2019.

Continuing the review of Attachment 4, Kung discussed the Plan's asset allocation, contributions by fund, and participant transfer activity. He 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 that the American Century High Income Fund and the DFA U.S. Targeted Value Fund be placed on the "watch list" and the Dodge & Cox Global Stock Fund be maintained on "yellow-level" watch list status.

The Committee asked if data can be provided on the Plans' contributions in TIAA Traditional and Vanguard Retirement Funds by participant ages. Kung agreed to follow up on obtaining the data from TIAA. Ervin reviewed illustrations from 2012 which compared equity allocations for participants as compared to a target date glidepath. Kelley agreed to review the illustrations with Kung in order to consider what data to request from TIAA.

Kung reviewed the Annual Fee Monitoring & Transparency report as of March 31, 2019. He noted the April 2019 change to a lower cost share class of the Vanguard FTSE Social Index Fund will be reflected in AHIC's next quarterly report. Kung indicated that while an alternative "R" share class is available for the William Blair Small/Mid Cap Growth Fund, the current share class option is lower cost on a net basis after considering the return of revenue sharing to participants. Based upon this information, the Committee agreed to maintain the current share class of the William Blair Small/Mid Cap Growth Fund.

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

In a discussion of the Plans' mutual fund window, Kung agreed to follow up with a review of mutual fund window net flow trends over the past several quarters.

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.

Referencing the "Aon Quarterly Update, Retirement Legal Consulting & Compliance, First Quarter 2019," Steen presented the information from several articles and led a discussion of the matters noted and the effect they may have on the Plans and the Committee.

## **Impact of 2018 Tax Reform on Retirement Plans**

Kelley distributed a memorandum regarding "NSHE Supplemental 403(b) Plan Impact of the Bipartisan Budget Act of 2018 on Hardship Distributions." She reviewed a summary of the legal changes and their impact on the Supplemental 403(b) Plan. Kelley indicated that she is preparing Amendment Number 2 to the Supplemental 403(b) Plan Document to reflect the changes noted. She will coordinate with TIAA to ensure it is implemented appropriately for administration.

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## Staff Reports

### South

Magana informed the Committee of a recent issue where an employee was told by a TIAA advisor that she did not have to take a RMD from the RPA. She later received a letter from TIAA indicating that she needed to take an RMD. Magana noted that the inconsistency was due to the timing of the employee's retirement, subsequent temporary contract work, and the reporting of her termination date. Kelley advised that Committee that she reviews employee termination dates and verifies the data between Workday and TIAA using both employment and payroll information. Kelley stated that if an employee disagrees with NSHE's and TIAA's assessment that an RMD is required, it will be up to the participant to provide documentation from a tax advisor providing the rationale. NSHE will review this documentation and make a final decision. She also indicated that as a first step, if an employee disagrees with their termination date they can call their Benefit Manager or herself and they will investigate and correct the information with TIAA as necessary. Kelley agreed to confer with TIAA regarding guidance they are providing to participants about RMDs.

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

  
Michelle Kelley, RPA Executive Officer

8/16/19  
Date Signed

Reviewed by:

  
Joe Reynolds, NSHE General Counsel

9-16-19  
Date Signed