

**Nevada System of Higher Education (“NSHE”)
Minutes of
Retirement Plan Advisory Committee Meeting
November 21, 2019**

The Retirement Plan Advisory Committee (“Committee”), the fiduciary committee for the Nevada System of Higher Education Defined Contribution Retirement Plans (“Plans”), met on November 21, 2019 at the Desert Research Institute in Las Vegas, NV. Present were voting members: Michelle Kelley (Chair), Amy Cavanaugh (Truckee Meadows Community College; “TMCC”), Kent Ervin (via teleconference) (University of Nevada, Reno; “UNR”), Zarah Gayrama-Borines (Nevada State College; “NSC”), Scott Nielsen (Great Basin College; “GBC”), Jennifer Schultz (Desert Research Institute; “DRI”), Brad Summerhill (Faculty Senate Chairs), Paul Thistle (University of Nevada, Las Vegas; “UNLV”), Migle Valunte (Business Center North; “BCN”), Bob Whitcomb (Western Nevada College; WNC), and Daniel Williams (Retiree), all being voting members of the Committee.

Voting Committee members Jerry Lockhart (College of Southern Nevada; “CSN”) and Liliana “Lily” Magana (Business Center South; “BCS”) were unable to attend.

Attending the meeting by invitation were Kim Dawes of BCS, Dan Pawlisch, Leon Kung, and Joe Steen of Aon Hewitt Investment Consulting (“AHIC”), and Kelli Hueler (via teleconference) and Kathleen Schillo of Hueler Companies.

Call to Order

The meeting was called to order at 9:10 a.m. by Kelley.

Approval of Minutes from August 16, 2019

The Committee reviewed the minutes from the previous Committee meeting held on August 16, 2019. Whitcomb suggested that participants receive a copy of the signed TIAA Consent Form for their records. Kelley agreed to work with representatives from TIAA regarding Whitcomb’s suggestion. Following discussion, the Committee approved the minutes as written.

Executive Officer Report

Kelley introduced Dawes to the Committee, noting that she was in attendance to represent Magana. She then asked Dr. Ervin to provide an update on the changes occurring at the Public Employees Benefits Program (PEBP), which provides retiree health insurance to eligible NSHE retirees.

Ervin indicated that the PEBP Executive Officer had recently resigned and discussed the Board, structure and potential program design changes for FY 2021. Kelley reminded the Committee that one of the eligibility criteria for PEBP retiree health insurance is that a participant must take an annual distribution from the NSHE retirement plan account to be eligible for health insurance coverage from the state.

Kelley informed the Committee that she recently failed TIAA under the plan sponsor satisfaction metric based upon the terms of the service level agreements. She noted that TIAA mistakenly sent a marketing communication to #2,400 participants regarding a TIAA Real Estate Account, a breach of the use of plan data clause in the Record Keeping Agreement. Additionally, the Account is not an investment option available in the Plans. Kelley also noted that TIAA has continued to make errors in the processing of the quarterly Revenue Credits to the Plans.

Kelley provided a summary of an October 2019 site visit conducted at TIAA's Denver office, which she, Magana, Valunte, Pawlisch, and Steen attended. She noted that there were several follow-up items from the meeting, including a request to receive an updated pricing proposal from TIAA.

Kelley provided an update on the correction of Required Minimum Distributions ("RMDs") from the RPA. She discussed the differences in RMD rules between 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 that specific 401(a) plan. Kelley indicated that while TIAA has been notifying RPA participants about the need to take RMDs, they have not force-out RMDs as required by the regulations. Kelley noted that she is working with TIAA to correct the error for those RPA participants who did not take an RMD during 2014 to 2019. Specifically, a Voluntary Correction Program (VCP) filing is being submitted to the Internal Revenue Service. Representatives from TIAA have agreed to pay for the cost of any corrective actions. Kelley indicated that there were approximately 215 RPA participants impacted by the correction. While most are for amounts are considered de minimis, some distributions are for several thousand dollars. All impacted participants will receive a letter from TIAA regarding the correction.

Staff Reports

North

Valunte provided an update on participant loan activity. She discussed a situation in which a participant received incorrect advice from a TIAA advisor, leading to the participant erroneously repaying a loan and not being able to take a new one. Valunte indicated that TIAA has agreed to waive any fees associated with the loan and restored the original loan. She has also requested that TIAA provide a more a detailed summary of the issues to ensure the situation does not happen again.

Valunte summarized her impressions of the recent site visit to TIAA's offices in Denver. She noted that TIAA runs a robust participant call center with various analytical tools. Valunte also discussed her concerns regarding transparency of compensation for TIAA's wealth management advisers and financial counselors. The Committee discussed TIAA's wealth management and financial adviser services and compensation. Members agreed to discuss the topic in greater detail with representatives from TIAA during the November 22, 2019 meeting.

South

Dawes informed the Committee that there has been continued problems with TIAA's Plan Focus portal declining distribution requests when participants having less than five-years of service. She and Magana continue to work with representatives from TIAA on the issue. Dawes also indicated that two of TIAA's financial counselors (Domingo and Mike) are currently on leave. Their responsibilities are being covered by other TIAA representatives.

Dawes indicated that a former employee was having a problem related to their Social Security benefits. Specifically, they were unable to obtain a letter confirming they are not eligible to receive a pension benefit from NSHE. Cindy Wilson from TIAA has previously indicated that TIAA will not provide such a letter. Kelley noted that NSHE has a letter that may be used to address distributions. She will provide the template letter to Dawes.

Quarterly Investment Review

Kung led a discussion regarding the contents of a previously distributed report titled "Nevada System of Higher Education Third Quarter 2019 Discussion Guide (Discussion Guide)." A document titled "Nevada System of Higher Education Third Quarter 2019 Investment Review," was also previously distributed for the Committee's reference. Kung 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 2019.

Continuing his review of the Discussion Guide, Kung discussed the Plans' asset allocation, contributions by fund, and participant transfer activity. Kung discussed the nature of TIAA Traditional contracts. Pawlisch agreed to provide a summary overview of TIAA's contract provisions in 2020. Kung and Pawlisch 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. In addition, the Committee agreed that the Dodge & Cox Global Stock Fund be maintained on "orange-level" watch list status. Whitcomb made a motion for AHIC to conduct a competitive search of the active global equity mutual fund and present it at the next regularly scheduled Committee meeting. Motion was seconded by Thistle. Motion passed unanimously.

Kung reviewed the Annual Fee Monitoring & Transparency report as of September 30, 2019. He noted that investment management fees for the PIMCO Total Return Fund are now reported at 46 basis points (0.46%), adjusted as allowable by Financial Industry Regulatory Authority guidelines to exclude interest expenses associated with the fund.

Kung referenced a previously distributed document titled "Nevada System of Higher Education October 31, 2019 Monthly Investment Review." He provided an update on investment performance in the Plans as of October 31, 2019.

Kung and Pawlisch reviewed the contents of a report titled "Nevada System of Higher Education Investment Lineup Structure." Following a review of the options for streamlining the investment line-up,

November 21, 2019

Page 4

Whitcomb made a motion to keep the current structure in place, for the time being, as it is serving the needs of NSHE participants. The motion was seconded by Cavanaugh. Motion passed unanimously. The Committee requested a detailed review of the Plans' target date funds based upon participant demographics at the May 2020 meeting. The review will consider alternative target date fund approaches, potential customized target date fund solutions, and considerations of managed accounts as a potential investment default option.

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.

Ervin left the meeting.

Hueler Income Solutions Presentation

Schillo and Hueler joined the meeting. Pawlisch introduced Schillo and Hueler and indicated that the topic of lifetime income had arisen at the recent Denver TIAA site visit. Schillo and Hueler led a discussion regarding the contents of a distributed report titled "Creating a Paycheck for Life Income Solutions." Schillo provided an overview of the lifetime income market and Hueler Companies' out-of-plan annuity shopping service, which is not currently provided to the Plans or available via TIAA. Schillo and Hueler also provided a website demonstration of their annuity shopping service. Following discussion with the Committee, Schillo and Hueler left the meeting. Pawlisch agreed to request information from an alternative recordkeeper on their proprietary out-of-plan annuity shopping service, for discussion with the Committee at a future meeting.

Other Business

Kelley provided an update on the participant consent form for opting in for receipt of marketing of non-contract services from TIAA representatives. She indicated that a TIAA financial counselor summit was conducted prior to the Denver site visit and that TIAA now requires the consent form before offering financial planning services to participants. Kelley stated that TIAA recommended changes to the consent form to allow marketing of financial planning services but noted they would allow the marketing of all services as proposed. Kelley declined to pursue TIAA's proposed changes based on the Committee's previous decision not to allow marketing to any participants unless the participant opts in via the consent form. Whitcomb indicated that he had a situation where a TIAA representative would not provide comprehensive financial planning services, despite having signed the consent form. He noted that this was due to his aversion to provide information on his non-TIAA accounts. The Committee agreed to discuss the topic with representatives from TIAA during the November 22, 2019 meeting.

Ervin rejoined the meeting.

Kelley initiated a discussion on the Plans' administrative fees. She indicated that fees were discussed with TIAA during the Denver site visit and that the fees (\$48/per unique participant per year) previously negotiated with TIAA for the period October 1, 2018 to September 30, 2019 would remain the same for

the next term of October 1, 2019 to September 30, 2020, recalculating the maximum fee threshold based on September 30, 2019 data. She noted that TIAA did not provide a proposal for future administrative fees. Kelley discussed the potential timing of a Request for Proposal ("RFP") process. She expressed an interest in conducting an operational review of the Plans, including a review of TIAA's adherence to contract terms. Kelley also discussed conducting a Request for Information ("RFI") process to benchmark TIAA's fees, prior to any contract extension to establish market pricing for the Plans. Pawlisch and Steen discussed AHIC's "Live Fee Benchmarking" process, wherein fee quotes would be obtained from alternative recordkeeping providers based on the Plans' demographics and services to develop a benchmark for TIAA's administrative fees. The Committee expressed a unanimous interest in conducting a Live Benchmarking project, with a specific interest in firms that can provide a true dollar-per-participant fee on a per plan and unique participant basis. Additional considerations should include flexibility to use different managed account providers and an out-of-plan annuity shopping service. Pawlisch and Steen agreed to follow-up with Kelley regarding a Live Fee Benchmarking proposal.

Adjournment

There being no further business before the Committee, the meeting adjourned at 3:40 p.m.


Michelle Kelley, RPA Executive Officer

2/19/2020
Date Signed

Reviewed by:


Joe Reynolds, NSHE General Counsel

8-27-20
Date Signed

