

**Nevada System of Higher Education (“NSHE”)
Minutes of
Retirement Plan Advisory Committee Meeting
November 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 November 22, 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 (University of Nevada, Reno; “UNR”), Zarah Gayrama-Borines (Nevada State College; “NSC”), Jerry Lockhart (College of Southern Nevada; “CSN”), Liliana “Lily” Magana (Business Center South; “BCS”), 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”), Migne Valunte (Business Center North; “BCN”), Bob Whitcomb (Western Nevada College; WNC), and Daniel Williams (Retiree), all being voting members of the Committee.

Attending the meeting by invitation were Dan Pawlisch, Leon Kung, and Joe Steen of Aon Hewitt Investment Consulting (“AHIC”), Dan Bruns and Michael Wilson of Morningstar, and Ray Bellucci, Seamus Ewing, Chandler Mercer, Bob Murray, Brad Tucker, and Cindy Wilson of TIAA.

Call to Order

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

November 21, 2019 Follow-up and Planning

Kelley initiated a summary discussion of the November 21, 2019 Committee meeting. The Committee confirmed agreement to have AHIC conduct 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.

Kelley discussed the recommendation to the NSHE Chief General Counsel, Mr. Joe Reynolds, to conduct a “Live Fee Benchmarking” process to benchmark TIAA’s administrative fees for the Plans, wherein fee quotes would be obtained from alternative recordkeeping providers based on the Plans’ demographics and services. The Committee directed Kelley to work with Pawlisch and Steen to establish a fair price for such a service. She also discussed conducting an operational review of the Plans, including a review of TIAA’s adherence to contract terms. The Committee agreed to proceed with these initiatives.

Kelley discussed the planning of future Committee meetings. The Committee agreed to pursue to following dates for upcoming meetings:

- February 14, 2020 @ 9:00 a.m., via video conference

- May 18 and 19, 2020, in-person in Reno, NV
- August 14, 2020 @ 9:00 a.m., via video conference

Kelley indicated that she will work on scheduling the meetings.

Morningstar Presentation

Pawlisch provided an introduction of Morningstar's investment advice and managed account services. He indicated that representatives from Morningstar would be discussing multiple service delivery models. Pawlisch distributed an illustration of fund allocations and style weights by fund for Morningstar's investment advice models currently used by NSHE, a copy of which is Attachment 1 to these minutes. He discussed the illustration with the Committee.

Bruns and Wilson joined the meeting.

Bruns distributed a document titled, "Morningstar Investment Management Presentation to Nevada System of Higher Education November 2019," a copy of which is Attachment 2 to these minutes. Bruns and Wilson led a discussion of the contents of Attachment 2, providing background information on Morningstar and its investment advice capabilities, with a focus on managed accounts. Bruns noted that there are two Morningstar portfolio construction models:

- Legacy Ibbotson model which uses seven model portfolios (currently used by TIAA)
- Dynamic Morningstar model which uses approximately 600 unique portfolios

Bruns indicated that 15 of 22 recordkeepers in the industry use an independent investment advice delivery approach. The others employ an integrated approach wherein an investment advisory firm associated with the recordkeeper serves as a 3(38) investment advisor for their managed account service. He noted that NSHE and most of TIAA's clients use the integrated, legacy Ibbotson model for investment advice. For managed accounts, Bruns note that TIAA only provides an integrated model wherein they serve as 3(38) investment advisor. Bruns commented that only 5% - 10% of its clients use managed accounts as a default investment alternative.

After a thorough discussion, Bruns and Wilson left the meeting.

International Bond Index Fund Manager Search

Pawlisch led a discussion of information contained in a previously distributed document titled "Nevada System of Higher Education International Bond Index Fund Manager Search." After thorough discussion, and based upon information contained in the report, Ervin made a motion to recommend the addition of the passively managed international bond fund, the Vanguard Total International Bond Index Fund Admiral Shares (VTABX), to the Plans investment lineup as soon as administratively possible. The motion was seconded by Whitcomb. The motion passed unanimously. Kelley stated that TIAA generally requires a minimum of 12 weeks to add a fund to the Plans. She agreed to work with TIAA to implement the fund.

TIAA Presentation

Kelley initiated a discussion in preparation for TIAA's presentation to the Committee. She indicated that there have been issues with follow-up items from prior meetings and requests not being resolved by TIAA. She asked the Committee to document any such issues for review following the presentation.

Kelley distributed a copy of a letter from Bob Murray at TIAA regarding the Plans' administrative fees. She led a discussion of the contents of the letter, reviewing the Plans' administrative fees for the period of October 1, 2019 to September 30, 2020. Pawlisch indicated that he had reviewed TIAA's assumptions and calculations and they were accurate.

Bellucci, Ewing, Mercer, Murray, Tucker, and Wilson joined the meeting.

Referencing a distributed report titled "TIAA's Presentation to the Nevada System of Higher Education's Retirement Plan Advisory Committee (RPAC)." Bellucci led a discussion of recent TIAA staffing changes for the servicing of the Plans. He noted that Mercer has been assigned as the new managing director and territory manager to replace David Martinez. Tucker is replacing Wilson as director to oversee financial counseling. Both Ewing and Tucker report to Mercer. Bellucci also noted that Alexis Kane has replaced Michelle Buckalew as communications consultant.

Bellucci discussed TIAA's financial counseling and Individual Advisory Services ("IAS") wealth management services. He indicated that effective January 1, 2020 Ben Keith in Bellevue, WA would be replacing Michael Phung as the IAS director, overseeing wealth management advisors. Bellucci indicated that IAS's reporting structure will remain separate, but Tucker will observe and monitor all wealth management interactions. Bellucci will introduce Ben Keith to NSHE's retirement administration team at a later date. Keith will be introduced to the Committee at the May 2020 meeting.

Ewing reviewed a NSHE participant consent form. He indicated that a box was added to the top of the form to make NSHE's position on non-Plan products and services clearer. Ewing noted that the form must be completed by a participant and provided to a TIAA representative to discuss non-Plan products and services. Except when wealth management advisors have an existing participant relationship, Ewing indicated that the form is only being provided when participants request information on non-Plan products and services. Ewing stated that TIAA's wealth management advisors are no longer outreaching participant and wealth management advisors are not being assigned new participants. While wealth management advisors have maintained current participants assigned to them, financial counselors are now review and determine needs of new participants before referring them to a wealth management advisor. The Committee requested that TIAA begin automatically providing a copy of completed disclosure forms to participants. Mercer, Tucker, and Ewing agreed to work on establishing the requested process. Ewing will advise Kelley when TIAA is set up to do so.

Whitcomb referenced his recent experience with a wealth management advisor. He indicated that he previously set an asset allocation strategy and wanted to rebalance. He was told by the wealth management advisor that TIAA now needed information on all his outside accounts to rebalance his retirement account. The wealth management advisor would not assist without the information and was

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referred to a TIAA financial counselor. Murray noted that there is a new head of IAS and situations like this are being reviewed. Murray indicated that servicing changes are anticipated so that wealth management advisors may advise solely on retirement plan assets without all non-plan financial information. Bellucci will have an update for the Committee at the May 2020 meeting.

Kelley raised a concern regarding some financial counselors' experience and noted recent mistakes in certain financial counselor interactions with participants. Wilson said she was aware of one instance in which a participant already had a loan for a five-year term and was told they were eligible for a new loan for a longer term, which Wilson stated was incorrect. Kelley asked for better notification of such participant issues in the future. Tucker indicated he is reviewing NSHE's needs and staffing and alignment of financial counselor and wealth management advisor resources.

Murray led a discussion of the Plans' administrative pricing. He reviewed the Plans' pricing for the period of October 1, 2019 to September 30, 2020, the last year of a two-year contract extension. Murray stated that TIAA is working on a revised service model and fee proposal for the Plans. He agreed to provide Kelley a copy in January 2020. Kelley asked to include an alternative fee approach that includes a basis point fee with a cap. Murray commented that he will review TIAA's establishment of capabilities to do so and will advise Kelley when he comes back with the updated fee offer.

Pawlich initiated a discussion of investment advice and managed account services, noting that NSHE does not currently offer managed accounts. He inquired about TIAA's plans to begin using Morningstar's newer Dynamic portfolio model. Murray indicated that TIAA's selection of the current Ibbotson model was analyzed with other models and that TIAA believes it is the best option to put forward to participants. There are no plans to change it. Bellucci and Murray agreed to follow up with Kelley and TIAA's investment advice team to review the portfolio modeling services and considerations.

Bellucci expressed his commitment to continued work with NSHE to improve the relationship with and services provided by TIAA.

Bellucci, Ewing, Mercer, Murray, Tucker, and Wilson left the meeting.

Pawlich and Kelley discussed TIAA follow up items with the Committee.

Adjournment

There being no further business before the Committee, the meeting adjourned at 12:35 p.m.


Michelle Kelley, RPA Executive Officer

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Date Signed

Reviewed by:



Joe Reynolds, NSHE General Counsel

8-27-20

Date Signed

