

IDAHO DEFERRED COMPENSATION BOARD

AGENDA

August 27, 2018 – 1:00pm – 3:00pm
Nationwide Conference Room
205 N 10th Street, Suite 540, Boise

The meeting of the Deferred Compensation Board was called to order at 205 N. 10th Street, Suite 540, Boise, Idaho, at 1:12 p.m. by order of the chair.

The following board members were present: State Controller Brandon Woolf, Brian Kane representing the Office of the Attorney General, Tim Hurst representing the Office of the Secretary of State, and Ben Ysursa representing the Governor's Office.

Others present were: Jake O'Shaughnessy, Sage View; Rob Torres, Sage View; John Lamm, Nationwide; John Steggell, Nationwide and Jackie McCleve, State Controller's Office.

State Controller Brandon Woolf called the meeting to order at 1:12 p.m.

1. Committee questions or additions to agenda

None

2. Approval of minutes from May 21, 2018 - Action Item

Mr. Kane moved to approve the minutes from the May 21, 2018 meeting. Mr. Hurst seconded the motion. The motion carried on a unanimous voice vote.

3. Q4 Quarterly Performance Review and Market Recap - (Jake O'Shaughnessy)

Discussion:

Market: Tariffs are introducing a lot of uncertainty in the market. US economy continues to grow. Unemployment is extremely low. Currently the US is in the longest bull market in history. Fiscal 19 will be the first time the US Congress are expected to exceed a trillion dollars in spending. In Europe, Greece exited out of the bailout. Turkey currency has weakened. As the US dollar strengthens it is becoming more difficult for other countries to repay their debt (example: Turkey). S&P 500, Information technology did very well, this indicates that people are very bullish about the growth prospects in the US. 4 out of the top 5 names in the S&P 500 are all technology driven.

The US is officially in the longest Bull Market in history. The market has tested it lows and been able to bounce back which has been a sign of resiliency. We need to be cautious of where the bubbles might be (Corporate Credit). President Trump is set on not raising rates. Powell has indicated that we need to raise interest rates, this creates uncertainty in the market.

4. Recent Developments (regulatory or market place) – Action Item (Jake O'Shaughnessy)

Discussion:

Home Depot is getting in trouble for not having uniformed delivery. Plaintiffs brought a claim against Home Depot stating that they did not have adequate process and selected many poorly performing funds, allowed advisors to charge unreasonable fees. Oregon and California both have state run IRAs. A change has been made that if you are an employer with less than 5 people you now have to offer an option to let the employees participate in the state run IRA program.

On the Active Management Scorecard, they are showing very strong long term metrics. Over the last 10 years all 12 of the actively managed funds have exceeded the median of their peer group. Good long term returns as indicated by the scorecard.

Index funds as well as its respective benchmarks and are getting a passing mark. Fund Performance Summary: Nationwide product has done with in its expectation, right around the benchmark. Nationwide continues to see a lag on a ten year basis. Mr. O'Shaughnessy stated that he senses from Nationwide that there might be some contract negotiations on the horizon. He also stated that one thing that should be discussed is the amount of product that the State has with Nationwide, along with what is the future state of the plan such as pricing. If there are discussions around the contract, to keep the Target-Date fund in mind, currently they are doing acceptable but that might be something in the future to change. Mr. O'Shaughnessy wanted to note that The Target-date funds continue to perform slightly worse than their peers and that Sageview would like to review them at a future date.

Mr. Woolf asked for an update on the NACO rate. Mr. O'Shaughnessy commented that they are at 3.5 right now. In the States contract we are committed to getting at least that plus the 6 basis points. Nationwide said that they are in the process of renegotiating that rate right now, and it is likely to come down. Mr. O'Shaughnessy also commented that they have seen them come down across the board. The question was whether to stay with the NACO rate plus 6 ticks. Mr. Woolf stated that NACO rate will be expiring and wanted to know if the rate would be reset. Mr. Lamm responded that Nationwide has not reset the rate yet. The goal is to come out in 2019 with lower rate across the board. Mr. O'Shaughnessy said that the state will want to stay as long as they can. We need to wait for Nationwide to finalize their decision before the State takes any action. The terms that the state currently has are not common, so those will need to be negotiated later.

Resolution: No Action Taken

5. Quarterly Board Report – Action Item (John Steggell)**Discussion:**

Press release from J. D. Power 2018 Group Retirement Plan Satisfaction Survey and Nationwide received the highest ranking for overall satisfaction in 2018.

Executive Summary: Plan assets increase of 2.0%. 168 new participants were added to the plan bringing the total count to 9056 participants. There is now just a little over 8 million dollars in the total plan contributions. There were over 27,000 participant interactions.

Plan is showing that they are having a higher inactivity rate than what the usual would be for this plan. Mr. Woolf asked if the ratio from inactive to active was a normal ratio. Mr. O'Shaughnessy asked if a report could be ran to see what are the average balances and the ages for the inactive participants.

The incentive is still working to help gain contributions, and it is helping and making a difference. Mr. O'Shaughnessy commented that the Board should be mindful of how much money they commit to the incentive program, as to not go over the available funds. Mr. Woolf suggested we look into putting a cap on the incentive at the next meeting. There are 3 potential new pay centers that could possibly be joining, Ada County Highway district, Area 3 Senior Service and Syringa Hospital in Grangeville.

Resolution: No Action Taken

6. Update on Socially Responsible Calvert Fund – Nationwide (Informational)

Discussion:

The fund change date was originally May 16th. On September 18th the fund that should have originally been selected on the plan will now actually be in the plan. Nationwide will then calculate gains and loss for any participant who had that fund and make a correction. Nationwide will also send out a notice to folks to let them know that they were in the incorrect fund from May 16th to September 18th, and Nationwide will make that correction. Everyone is held harmless. Going forward, changes will be made to the process. When a fund is selected, it will be looked up by the ticker and not by the name, which is where the mistake was made. One of Nationwide employees picked the wrong fund (used name instead of the ticker number).

7. Deduction 405 (Roth) to Self-Service in IPOPS for State Employees – Action Item

Discussion:

There was a request to make a 405 Roth available for State Employees on Self-Service in IPOPS.

Resolution: Mr. Kane motioned to add the 405 (Roth) to Self-Service in IPOPS. Mr. Hurst seconded the motion. The motion carried on a unanimous voice vote

8. Recap action items

- a. Report of inactive accounts
- b. Report of incentives, new verses adjusted increases
- c. Discussion on the cap for the bonus incentives

Mr. Kane motioned to adjourn the meeting. Mr. Hurst seconded the motion.

The meeting adjourned at 2:43 p.m.