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MEMORANDUM

To: Plans Management Board Members
From: John Meyer, Director of Contributions and Plan Management
Sent: May 28, 2020
Subject: **June Meeting – Agenda Item #4: Discussions and Action Items**

The Plans Management Board (the “Board”) will meet on June 2, 2020. The Board will receive reports from the Audit and Governance Committee (the “AGC”) and the Investment Committee (the “IC”) and updates from the Office of State Treasurer (the “OST”). The AGC assembled virtually on May 12, 2020, and the IC convened virtually on May 19, 2020. Information and recommendations from those meetings will be presented during agenda item “4. Discussions and Action Items”.

Training Policy

The AGC reviewed the proposed [Training Policy](#) that is designed to ensure that the Board and committee members understand their fiduciary and other legal obligations and obtain and maintain the level of knowledge and expertise needed to oversee the administration of the plans. OST drafted the policy based on research from other states and in consultation with Cammack and the Deputy Attorney General. The policy covers (a) fiduciary duties and best practices, (b) the State’s Code of Conduct, and (c) the State’s Freedom of Information Act (“FOIA”) and Public Records Law (“PRL”). Scheduled training sessions are mandatory for appointed Board and committee members and designees of ex officio members. Ex officio members are encouraged to attend. Appointed members or designees who are unable to participate in a mandatory training session as scheduled must promptly coordinate with OST to review the session recording and related training materials and confirm in writing to OST when the training has been completed. The AGC suggested revisions to the proposed Training Policy regarding the frequency of training and recommends approval.

Action Item: Motion to approve the proposed Training Policy as revised by the AGC.

Board Training Dates

Potential training session dates for 2020 include the September 1, 2020 and the December 8, 2020 Board meetings. Training topics may include (a) fiduciary duties and best practices, (b) the State’s Code of Conduct, and (c) FOIA and PRL, and (d) any other Board-requested training. The AGC recommends scheduling training on fiduciary duties and best practices, if possible, via a webinar for the September Board meeting.

Action Item: Motion to approve the scheduling of training of fiduciary duties and best practices for the September Board meeting.

457(b) State Administration Fee Suspension

In June 2018, the Board approved using 457(b) legacy fees to offset plan expenses and suspended the State administration fee through June 2019. The initial projections indicated that 457(b) legacy fees would cover two years of expenses and leave a budget reserve of approximately \$200,000. The Board approved continuing the suspension in June 2019 for another four calendar quarters. As of May 1, 2020, the budget reserve is approximately \$220,000. The AGC recommends the reactivation of the State administration fee in June 2020 for the 457(b) Plan.

Action Item: Motion to approve the activation of the State administration fee for the 457(b) Plan in June 2020.

457(b) Plan Amendment (SECURE Act)

In December of 2019, President Trump signed into law the Further Consolidated Appropriations Act, which included the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019. The SECURE Act included a number of retirement savings and employee benefit changes. In March 2020, the Board directed OST to work with the Deputy Attorney General and Ice Miller to draft two amendments for the 457 Plan. The first amendment, mandatory in nature, would increase the age for required minimum distributions from 70 ½ years of age to 72 years of age. The second amendment, permissive in nature, would reduce the age for in-service distributions from 70 ½ years of age to 59 ½ years of age. The changes are reflected in [draft Amendment Three to the 457\(b\) plan](#). The AGC reviewed the amendments and recommends approval.

Action Item: Motion to approve Amendment Three to the 457(b) plan.

CARES Act Loan Repayment Provision

The Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, signed into law on March 27, 2020, includes provisions affecting government-sponsored defined contribution retirement plans. The Board held a special meeting on April 23, 2020 at which it approved provisions relating to new coronavirus-related distributions. The Board did not approve provisions related to new coronavirus-related loans. The Board did not vote on a CARES Act provision relating to loan repayment deferrals, as that provision was originally interpreted as mandatory in nature and thus binding on the Board. Based on guidance issued by the Internal Revenue Service on May 4, 2020, it now appears that the loan deferral provision is permissive. The AGC reviewed the provision and recommends not to approve the loan repayment provision due to the limited amount of active grandfathered loans from legacy vendors and the respective loan balances.

Action Item: Motion to accept the recommendation from the AGC to not approve the CARES Act loan repayment deferral provision.

Watch List

Cammack Retirement Group (“Cammack”) is recommending that the investments managed by Capital Group, which includes American Funds Washington Mutual and American Funds Target Date Series, be removed from Watch. The Board approved adding the investments to Watch in December 2019 due to compliance concerns. Cammack presented their recommendation to the IC at the May 19th meeting. Cammack’s recommendation is outlined in the attached [memo](#). The IC agreed with Cammack’s assessment and recommends to the Board that American Funds Washington Mutual and American Funds Target Date Series be removed from Watch.

Action Item: Motion to approve the removal of American Funds Washington Mutual and American Funds Target Date Series from Watch.

2065 Target Date Vintage (DC Plans)

Per the attached [memo](#), Cammack recommends adding the American Funds 2065 Target Date Retirement Fund R6 (RFVTX) as an investment option for the 457(b), 403(b) and 401(a) plans. Target date series periodically add vintages to account for the next generation of participants. The 2065 vintage of the American Funds Target Date Retirement Series is now available. The 2065 vintage follows the glidepath and strategy of the series. The IC reviewed and agreed with Cammack’s recommendation.

Action Item: Motion to (a) approve adding the American Funds 2065 Target Date Retirement Fund R6 as an investment option for the 457(b), 403(b) and 401(a) plans, and (b) direct OST to work with Voya to add the fund to the investment array and coordinate communications to plan participants.

Managed Account and Self-Directed Brokerage Service Providers

At the March 2020 meeting, the Board approved the second of the two one-year contract extensions for Voya Financial for record-keeping services for the deferred compensations plans. As a condition to that approval, and as required by the Investment Policy Statement for the plans, the Board directed the IC and OST to undertake a due diligence review of Voya’s third-party managed account service and self-directed brokerage providers. At the May 2020 meeting, the IC reviewed a report by Cammack on the providers, which concluded that the providers offered are of a quality to merit incorporation of the services into the plan, and both Morningstar and TD Ameritrade are leading providers in the market for their respective services. The Cammack memo can be found [here](#). The IC agreed with Cammack’s assessment.

Action Item: Motion to approve the due diligence review of the managed account and self-directed brokerage providers.