



**MINUTES FROM MEETING OF  
THE DEFERRED COMPENSATION COMMITTEE  
AUGUST 2, 2016**

A meeting of the Deferred Compensation Committee was held on August 2, 2016  
At 9:00 AM in the Conference Room of the Office of the State Treasurer (OST)  
Located at 820 Silver Lake Blvd., Suite 100, Dover, DE 19904

Committee Members Represented or in Attendance:

Mr. Charles Campbell-King, Chair  
The Honorable Ken Simpler, State Treasurer  
Ms. Valerie M. Watson (on behalf of Secretary Thomas J. Cook, Department of Finance)  
Mr. Robert Scoglietti (on behalf of Director Brian Maxwell, Office of Management & Budget)

Committee Members Not Represented or in Attendance:

Mr. Ralph Cetrulo, Public Member At-Large  
The Honorable Karen Stewart, Insurance Commissioner

Others in Attendance:

Ms. Ann Marie Johnson, Deputy Attorney General  
Ms. Nora Gonzalez, Deputy State Treasurer, Office of the State Treasurer  
Mr. John Meyer, Director of Contributions and Plan Management, Office of the State Treasurer  
Mr. Mike Green, Financial Investment Program Manager, Office of the State Treasurer  
Mr. Dan Kimmel, Financial Investment Program Manager, Office of the State Treasurer  
Ms. Martha Sturtevant, Office of the State Treasurer  
Ms. Kasi Boyles, Voya Financial  
Ms. Sarala Katta, Voya Financial

**CALLED TO ORDER**

Mr. Simpler called the meeting to order at 9:07 AM.

**APPROVAL OF THE MINUTES**

A MOTION was made by Mr. Scoglietti and seconded by Ms. Watson to approve the minutes of June 7<sup>th</sup> and July 5<sup>th</sup> with noted corrections.

MOTION ADOPTED UNANIMOUSLY

**REPORT FROM DEPUTY ATTORNEY GENERAL**

Ms. Johnson reflected on a conference she recently attended and offered to facilitate fiduciary training to the full Plans Management Board (PMB). She stated that the training should occur in person and could be completed in an hour. Mr. Campbell-King stated that he would follow up with the Chairs of the PMB, and the College Investment Committee (CIC) to coordinate the training.

## **UPDATE ON TRANSITION PROJECT**

Ms. Boyles updated the Committee on the status of the transition. She stated a new mailing was scheduled to be sent in the next few days that would unveil the new logo. She indicated that the dedicated Voya website would go live on August 15<sup>th</sup> allowing participants to request changes to their investment elections and contribution amounts. She clarified that the contribution changes made would be effective depending on the schedule of the file transfers from Voya to the State.

Ms. Watson asked if there had been rigorous website testing to ensure a smooth experience for the participants. Ms. Boyles confirmed, adding that while the front dashboard is custom, the backend is a standard Voya platform. Mr. Kimmel asked if the participant would see a notification that account details would not update until the specified transition date. He also suggested to Ms. Boyles that a message be added instructing participants to make address corrections through their agency HR department. Mr. Meyer indicated there were several options to communicate to participants, including the option for a pop-up. Mr. Simpler asked if Voya could provide a temporary welcome screen for the conversion phase and requested to enlarge the branding.

Ms. Watson asked if the Committee could see a demo. Ms. Boyles logged in to the Voya demo site to demonstrate, but noted the actual site was currently under construction. Ms. Boyles reviewed the differences in the browser and mobile version and the mobile app. She noted several mobile improvements coming later in the year. She reviewed the My Orange Money service and walked through a demonstration.

The Committee discussed the communication to participants regarding the mapping of their investments and how to effect a consistent message on the investment structure.

The Committee discussed changes that they would like made to the website and requested communication from Voya as the site continues to update. The Committee requested to review the website again before the August 15<sup>th</sup> launch. Ms. Boyles offered to schedule a Skype meeting to review changes. Mr. Campbell-King requested Friday, August 5<sup>th</sup> if updates are available. Ms. Boyles said she would coordinate the meeting with Mr. Meyer. The Committee discussed the data conversion. Ms. Gonzalez reviewed the implementation of automated data feeds for the Plans. She highlighted the important role PHRST played in the process and recognized the support received from the teams at DTC and DSWA. Mr. Campbell-King requested that OST draft a memo to thank PHRST for their resources and lift in the conversion.

## **NEW BUSINESS**

Mr. Meyer updated the Committee on the communications timeline for outreach to participants from July through September, including the schedule of Business Managers meetings with the school districts. The Committee discussed additional opportunities for outreach. The Committee suggested capitalizing on Retirement Week in October.

Mr. Campbell-King asked when the video prepared by Voya providing an overview of the Plan would be available. Ms. Boyles estimated 2-3 weeks.

The Committee discussed the retirement seminar Ms. Boyles and Ms. Watson had recently attended. There was a suggestion to collaborate with the Pension Office to see if part of the retirement seminar could be dedicated to deferred compensation.

## **DISCUSSION OF SELF-DIRECTED BROKERAGE OPTION**

Ms. Gonzalez asked the Committee for guidance to resolve open questions received from Voya and TD Ameritrade regarding the conversion and establishment of self-directed brokerage accounts (SDBAs). She asked if the aggregate balance participants can transfer to the brokerage window or the number of Over the Counter Bulletin Board (OTCBB) stocks available to participants should be constrained in anyway. Ms. Boyles stated that the standard default is to allow transfers that would result in no more than 50% of the aggregate balance placed in the brokerage window. She also indicated that the some Plan Sponsors do not allow holding and trading of OTCBB stocks because of the associated risk. Ms. Gonzalez clarified that such restrictions do not apply currently to SBDAs at Fidelity. Mr. Simpler and Mr. Scoglietti agreed that SBDAs should remain self-directed. Ms. Gonzalez stated that the mapping of existing brokerage accounts would be done 100% in kind and that any restrictions, if desirable, would need to be evaluated by the Committee and implemented by Voya at a later date. Ms. Boyles stated she could request an analysis of participants that are more than 50% invested in SBDAs.

## **DISCUSSION OF PLAN FEES**

The committee entered a discussion regarding the appropriate fee structure to cover the oversight expenses for the Plans. Ms. Boyles added that fees are collected during the year considering the needs of the plan and it is considered a best practice, under the ERISA standard, to zero out the Plan Reimbursement Account (PERA) at the end of each calendar year.

Ms. Boyles stated that the allowable methods to collect fees are based on the assets or based on the total number of accounts.

The Committee gave consideration to both alternatives. Ms. Watson stated that her inclination was to move toward a flat fee. Mr. Simpler clarified that the Voya recordkeeping fees are charged on assets. Ms. Boyles confirmed. Mr. Simpler stated one solution would be a “hybrid” using both a flat minimum fee and a maximum fee to collar an asset-based fee. Ms. Boyles stated that, without a collar and based on her preliminary analysis, the average annual fees on the 457(b) Plan would total \$17 and \$43 on the 403(b) Plan, and added that accounts are charged quarterly.

Ms. Gonzalez stated that Cammack recommended fees be charged to participants based on account balances.

She also noted a separate but related issue: that SBDAs managed by National Financial Services, LLC. (NFS), a Fidelity Investment company, do not levy fees for the administrative and record-keeping fees being discussed. Instead, brokerage services through NFS are part of the existing bundle with Fidelity and participants have not been required to pay fees toward the plan expenses on assets in such accounts (even though they are record-kept and provided with oversight).

The Committee asked Ms. Boyles to run multiple scenarios for the Committee to consider fee structures at the next meeting.

## **DISCUSSION OF RULES OF ENGAGEMENT FOR VOYA ADVISORS**

Ms. Katta reviewed with the Committee the backgrounds of the dedicated VOYA advisors. She reviewed their credentials, qualifications and compliance. Mr. Kimmel suggested advisors acquire the Certified Retirement Counselor designation (CRC) which requires them to adhere to a code of ethics and continuing education. Ms. Katta said she would discuss with the Advisors.

Ms. Katta said Voya advisors would meet with employees on a one-on-one basis to assess their goals. She estimated that each meeting would take approximately 30 minutes. She added that ongoing communications with participants would also consist of enrollment meetings, annual reviews, and pre-retirement discussions. Ms. Katta added that advisors would not solicit participants, but would respond to requests for additional services.

Ms. Watson asked if the advisors were required to sign a Memorandum of Understanding (MOU) as a token of accountability. Ms. Katta stated that they would be willing to do so. Ms. Gonzalez added that advisors are not compensated for selling products and their performance is rated on providing financial education, increasing participation and other metrics provided by the Board. Mr. Campbell-King requested a draft MOU to be reviewed by Ms. Johnson. Ms. Johnson clarified that a MOU is not a contract and should be focused on goals and concepts in the best interest of the participants. Mr. Campbell-King asked to include language regarding consolidating participants' assets and accounts from legacy vendors or other outside vendors only when doing so is in the best interest of the participants.

Ms. Katta described what a non-participation outreach campaign would look like. Mr. Simpler asked if Voya could present metrics and a plan to touch all participants. Ms. Gonzalez asked if such plan could clarify what the approach would be for employee and retiree accounts. Ms. Boyles reviewed the analytics for increasing participation and stated that Voya would work closely with OST to develop goals and metrics.

Mr. Scoglietti suggested having a survey for Plan participants to rate their advisor experience.

Mr. Campbell-King inquired about pension rules and inclusion in the snapshot to participants. Ms. Boyles said that the pension calculator is built into the Voya platform. Ms. Gonzalez said the participants could bring their pension statements when meeting with the advisors.

Mr. Campbell-King suggested the Delaware Money School as a partner in communicating to participants and increasing participation.

Mr. Campbell-King requested that the meetings continue to be scheduled for 2 hours, until after the conversion has resolved.

## **PUBLIC COMMENTS**

No members of the public present for comment.

## **ADJOURNMENT**

A MOTION was made by Mr. Scoglietti and seconded by Mr. Simpler to adjourn the meeting at 11:27 AM.  
MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

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Charles Campbell-King  
Chair, Deferred Compensation Committee