

Brian Sandoval
Governor



COMMITTEE

Jim Barnes, Chair
RETIRED

Rex Reed, Vice Chair
NDOC

Diane Comeaux
DCFS

Brian L. Davie
LCB

Andrew MacKay
NTA

Tara Hagan
Executive Officer

**Nevada Public Employees' Deferred
Compensation Program**

**DEFERRED COMPENSATION COMMITTEE
MEETING MINUTES FOR**

Thursday, November 18, 2010, 9:00 AM

Cameron Vandenberg
Deputy Attorney General

The fourth quarterly meeting of the Nevada Deferred Compensation Committee was held on Thursday, November 18, 2010, at 9:00 a.m. in Room 2135 of the Legislature Building, 401 S. Carson St., Carson City, NV. A copy of this set of "meeting minutes," including the agenda, the audio recording and other substantive exhibits, is available on the Nevada Deferred Compensation (NDC) website at: http://defcomp.state.nv.us/NDC_MinutesMeetings.htm. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (e-mail: publications@lcb.state.nv.us; telephone: 775.684.6835).

STAFF and ATTORNEY PRESENT:

Tara Hagan, Executive Officer
Jenny Potts, Secretary
Cameron Vandenberg, Deputy Attorney General

OTHERS PRESENT:

Bill Abramowicz, Hartford
Lyra Ambrose, ING (by phone)
Bishop Bastien, ING
John Crawford, Retired
John Crossley, Retired
Evan Dale, Administrator Service Division
Lisa Gilarde, ING (by phone)
Julie Klassen, Great-West
Eileen Kwei, Mercer
Steve Platt, ING
Norma Santoyo, DPS
Doug Skelley, Hartford
Todd Theroux, Hartford (by phone)
Robert Trenerry, Hartford
Tom Verducci, Hartford
Iris Ward, ING
Steve Watson, Hartford

These minutes are a draft subject to approval by the Deferred Compensation Committee at the next regularly scheduled meeting. The agenda for this meeting was posted according to the Nevada Open Meeting Law and was sent to groups and individuals as requested.

I. COMMITTEE

A. Call to Order/Roll Call ([Audio: 9:01 AM](#))

The 4th quarterly meeting of 2010 of the Deferred Compensation Committee was called to order by Chair Mr. Jim Barnes at 9:01 am, November 18, 2010, in Room 2135 of the Legislature Building, 401 S. Carson St., Carson City, NV. Members Present: Vice Chair Rex Reed, Mr. Andrew MacKay, Mr. Brian Davie, and Deputy Attorney General (DAG) Cameron Vandenberg. Ms. Diane Comeaux was excused.

B. Approval of the minutes of the meeting on August 19, 2010* ([Audio: 9:06 AM](#))

Motion made by Vice Chair Rex Reed to approve the minutes for the August 19, 2010 meeting, seconded by Mr. Brian Davie. Motion passed unanimously.
(Please see [Exhibit A](#))

C. Meeting Dates* ([Audio: 9:07 AM](#))

Staff updated the Committee on the 2011 meeting dates. Staff will notify the Board once the February meeting is scheduled. (Please see [Exhibit A-1](#))

Mr. Andy MacKay noted he has a conflict for the December 16 meeting. Discussion ensued regarding changing the meeting date or time.

Mr. Brian Davie recommended starting the Planning Meeting in the afternoon instead of in the morning. Staff will check the availability of the conference room in the afternoon and report to the Committee.

D. Status on the Office of the Governor's Memo Regarding Boards and Commissions Reporting Requirements* ([Audio: 9:11 AM](#))

Staff stated the Committee was notified in October regarding the memo from the Governor's office regarding requests for compliance with certain regulatory and transparency issues. (Please see [Exhibit A-2](#), [Exhibit A-2i](#), and [Exhibit A-2ii](#))

Vice Chair Rex Reed requested Staff also attend supervisor training, in addition to the training programs listed on the second page of the memo.

Motion made by Mr. Andy MacKay to accept and approve the Governor's letter, seconded by Vice Chair Rex Reed. Motion passed unanimously.

E. NAGDCA Conference Report ([Audio: 9:13 AM](#))

Staff updated the Committee on the September 2010 NAGDCA Conference. Staff noted the conference provided information on several new topics and was extremely informative. (Please see [Exhibit A-3](#) and [Exhibit A-3i](#))

Chair Jim Barnes agreed that the NAGDCA conference was good as well and thought the presentation on assessing risk was the high point. He also noted the Washington Report and Internal Revenue Service (IRS) updates were worthwhile.

Vice-Chair Rex Reed thought the NAGDCA conference was educational, particularly the presentations and information regarding target date funds.

Mr. Brian Davie stated Staff's memo regarding the breakout session titled, "Building an Ideal Retirement Plan and Fund Lineup" indicated the panel noted that simplifying participants' investment decisions can result in an increase in participation and contribution levels. Mr. Davie questioned if there were any arguments brought up during this session and asked the Committee if this is something that should be pursued.

Staff noted that during the session a panelist from a county in Maryland stated the county recently narrowed its investment options to 12-15 from 68-75. Staff stated that the panelist indicated a 30-40% increase in participation, following this reduction. Staff noted it will contact the panelist for additional information regarding the specifics and report to the Committee, as necessary.

II. PROGRAM REPORT

A. Plan Activity as of 9/30/10 ([Audio: 9:18 AM](#))

Staff reported the plan activity for September 30, 2010. (Please see [Exhibit A-4, Pages 1-5](#)).

Mr. Brian Davie stated that although it is important to grow the Plan, with State Government facing potential layoff and continued decreases in salary, it may be difficult to increase the participation rate in the current economic environment.

B. ING Credit Rating Downgrade ([Audio: 9:26 AM](#))

Staff noted that in September correspondence was provided to the Committee regarding a downgrade in the credit rating of ING by Standard and Poor's (S&P). Staff also noted the options within ING are insulated from the company's financials and recommended the Committee consider a discussion at a later date regarding the appropriate credit rating level for a provider that serves as a record keeper only. (Please see [Exhibit A-5](#) and [Exhibit A-5i](#))

The ING representative noted that the current 'A' rating with S&P is considered 'strong'. The representative also noted ING is continuously striving to construct a stronger investment portfolio while increasing the capital ratios. The ING representative indicated that S&P changed the methodology by which it reviews the portfolio holdings of all financial entities; specifically, commercial mortgage backed securities and commercial loan portfolios. The representative noted that ING is the first entity to be subjected to the new methodology and that ING's risk based capital numbers are the highest they have ever been since ING came into existence, as a United States entity in 2001. The ING representative stated the impact on the participants is negligent due to the fact that the investment vehicles in the Plan are not general account vehicles but rather are separate accounts. The representative opined that all investments in the Nevada plan are insulated from the debts and liabilities should ING face financial insolvency. ([Audio: 9:27 AM](#))

Chair Jim Barnes inquired about the status of the ING retirement business being spun-off. The ING representative noted by the end of the year, ING will fully operate as two separate entities in terms of information technology, budgets and other operations. The representative noted the two entities will be a banking company and an insurance operation, with the intent to conduct two initial public offerings (IPOs) for the insurance operations; one a European-based IPO and the other, a United States-based IPO. The representative noted there will be no changes to the US-based retirement services business; ING will continue to be the third-largest defined contribution provider based on assets. The ING representative noted that the initiatives for IPO readiness will include: increased sales, boosting margins on investments and decreases in expenses.

Vice Chair Rex Reed asked ING since S&P has changed its methodology, did ING expect Moody's, Fitch, and AM Best to follow suit. ING stated it will inquire about other rating agency changes and follow-up with the Committee or Staff.

C. Provider Site Visit Report ([Audio: 9:35 AM](#))

Staff discussed the provider site visits with Hartford and ING in Hartford, Connecticut. Staff noted that the providers use a paperless system, which was impressive and highly secure. (Please see [Exhibit A-6](#), [Exhibit A-6j](#), and [Exhibit A-6ii](#))

Chair Jim Barnes thought the technology was incredible and the visit was beneficial.

Vice Chair Rex Reed stated he was impressed with the call centers. Mr. Reed thought the providers' paperless environment and building security was impressive.

Mr. Brian Davie noted that he was pleased the Chair and Vice Chair were able attend the provider site visits. Mr. Davie thanked Hartford and ING for housing the visits.

Vice Chair Rex Reed noted that he was also impressed with the providers' ability to retrieve documents easily and quickly. He noted this should allow participants to be assisted more efficiently and reduce potential errors.

III. INVESTMENT REPORT

A. Hartford General Account Discussion* ([Audio: 9:39 AM](#))

Staff presented an overview of the past 24 months, including due diligence that was conducted and policies that were set by the Committee regarding both provider's stability of principal options. (Please see [Exhibit A-4 Pages 6-10](#), [Exhibit A-7](#), [Exhibit A-7i](#), and [Exhibit A-7ii](#))

Vice Chair Rex Reed asked Mercer if the pie chart on page 49 ([Exhibit A-10, Page 49](#)) is stating that the Hartford portfolio contains 4% in collateralized debt obligations (CDOs). Mercer noted that is correct. Vice Chair Rex Reed continued by questioning if CDOs are repackaged sub-prime mortgages. Mercer stated that Vice Chair Reed is correct.

Vice Chair Rex Reed also questioned the Mercer Stable Value review ([Exhibit A-7ii, Page 6](#)) which noted an exclusion of impaired securities in certain types of stable value funds. Mercer stated that the wrap providers are in place to guarantee the book value or principle of the investment and are contractually obligated to guarantee book value but contracts due allow for exceptions. Mercer noted these exceptions allow the wrap provider to be exempt or walk away from the contract if such impaired securities in the portfolio did not have a market value or are illiquid.

Staff clarified that the Hartford General Account information noted by Vice Chair Rex Reed ([Exhibit A-10, Page 49](#)) is specific to the Hartford Life Portfolio and not the General Account. Mercer noted it has access to the larger Hartford Life Portfolio but not the Hartford General Account and its portfolio holdings where the Nevada assets are invested.

Vice Chair Rex Reed questioned if the information contained in the Mercer booklet is a proxy and not the actual account in which Nevada assets are invested. Mercer noted Vice Chair Rex Reed is correct.

Mr. Brian Davie questioned what portion of the Life Portfolio represents only the General Account. Mercer mentioned that they do not have access to this information and noted Hartford is in a better position to answer any questions regarding the composition of the General Account versus the Life Portfolio and how it's managed.

The Hartford representative discussed the General Account. Hartford stated that the General Account Portfolio has \$101 billion in assets. The representative noted the Hartford's net income has increased \$666 million as compared to a \$220 million loss a year ago. The representative also noted Hartford's core earnings this quarter (3Q 2010) have increased 8% and the book value on common stock increased 21%. Hartford representatives stated the wealth management division assets increased 3% and retirement plan deposits were up 13% from the

prior year period (2Q 2010) and the retirement plan assets increased 15% from the prior year (3Q 2009). Hartford noted the unprecedented markets did have negative effects on the portfolio, which included \$11 billion in net unrealized losses in June of 2009. Hartford noted though that currently (3Q 2010) the portfolio has experience net unrealized gains of \$1.2 billion.

Vice Chair Rex Reed made a motion to retain the Hartford General Account on the Committee's Watch List. No second. Motion dies.

Mr. Brian Davie noted the current crediting rate of 4.75% for Nevada is seemingly higher than the overall market. Mr. Davie asked Hartford, given the current environment, if it is losing money on the crediting rate for Nevada. Mr. Davie questioned how Nevada's rate compares to other Hartford customers. Hartford stated that the guaranteed interest rate provided to Nevada is one of the higher rates across the portfolio. Hartford also noted future rates for Nevada will most likely not be as high as they are today.

Mr. Brian Davie asked Hartford if they can provide the investment performance Hartford is earning on the portfolio versus the current Nevada crediting rate. Hartford stated that they cannot provide specific numbers at this time and will need to talk to their actuaries. Hartford noted information regarding the return on dollars and the assets for the portfolio is public information. Hartford stated it can provide via public and company documents this return on assets to the Committee.

Mr. Davie noted that all investment options in the Plan have information on investment managers, philosophy, and any changes to the fund or management; however, he stated this information is not available for the Hartford General Account. Mr. Davie questioned who manages the fund and if information can be provided on this person or team of people. Hartford representatives indicated Hartford Investment Management Company (HIMCO) manages the assets in the general account and has been available via conference calls in the past. Hartford representatives also noted information such as 10Qs, 10Ks, investor presentations and press releases are available and provide such detailed information. Mr. Davie requested if Hartford can provide detailed information to Mercer regarding the team of managers, including specific information which will allow Mercer to evaluate the investment management. Hartford representatives indicated it can make this information available to Mercer and have HIMCO personnel available for a presentation at the next Committee meeting.

Mr. Andy MacKay noted the current crediting rate of 4.75% is a great rate but that seemingly in the future Nevada would not have this high of a rate with the Hartford General Account. Mr. MacKay opined that Nevada's portion of the total portfolio is negligible but the risk to Nevada may lie in the rates Hartford provides to its other customers. Mr. MacKay asked Hartford what the average crediting rate is across the entire portfolio. Hartford representative stated that for new business it is writing today, the company credits approximately 3.00% to 3.25%. Hartford stated most of the business on its books has a minimum guarantee of 3% and the contract with the Nevada is a minimum of 4%. Hartford noted of its 2,000 deferred compensation plans invested in the General Account, approximately 10% would be crediting between 4.00% and 5.00%.

Staff noted the recommendation to remove the Hartford General account from the watch list is based primarily on the three items listed below:

- Current system which allows for the removal of this option or early provider request for proposal, if applicable.
- Stabilization of credit ratings for the Hartford with the last decline in July of 2009 and a positive statement from Moody's in December 2009 which removed Hartford from a negative outlook to a stable outlook.
- Future enhancement to the compliance reporting for this option.

Mr. Brian Davie noted the Committee established the credit rating based on Staff's recommendation, however, it was Andrew Clinger, State Budget Director, who made the motion to establish the floor and if either provider reached this level, the Committee would meet immediately. Mr. Davie noted this system does not require the Committee to take action but does allow for possible action.

Mr. Andy MacKay thanked Mr. Davie for the background information. Mr. MacKay questioned which credit rating agency downgraded Hartford in July 2009. Staff indicated it would provide that information. Mr. MacKay indicated the majority of the credit declines happened in a very short period, 12 months or less. Mr. MacKay noted his support of the Staff's recommended motion is based on the system in place which does not force the Committee to take action but does provide oversight. Mr. MacKay noted that based on questions from Mr. Reed and Mr. Davie, Hartford now knows the information it needs to begin to provide to Mercer to assist the Committee in assessing the risk associated with this option.

Vice Chair Rex Reed noted that due to his concerns with the CDOs in the Hartford portfolio and that Hartford remains only one step above the credit-rating trigger line with two of the four rating agencies, he is not in support of the motion to remove the Hartford General Account from the Committee Watch List.

Motion made by Mr. Brian Davie to remove the Hartford General Account from the Committee's Watchlist and upgrade the quarterly compliance reporting, seconded by Mr. Andy MacKay. Motion passed with 3 in favor and 1 opposed, with Vice Chair Rex Reed in opposition.

B. ING Custom Portfolios Underlying Fund Changes* ([Audio: 10:17 AM](#))

Staff provided an update to the Committee regarding the ING Custom Portfolios. Staff is recommending moving from the current target risk funds to target date funds. (Please see [Exhibit A-8](#) and [Exhibit A-8i](#))

Mr. Andy MacKay asked Staff if the options being recommended are the same as those currently available with Hartford. Staff noted the options are same except expenses on the funds would be different for each provider.

Mr. Brian Davie mentioned that he is in favor of this move primarily due to concerns with defaulting participants in the target risk funds which do not reduce the risk level as participants near their anticipated retirement dates. Mr. Davie noted that simply sending correspondence to participants requesting that they make a change due to their age may have pitfalls. Mr. Davie also noted that if we are requesting participants make wholesale changes to their portfolios and the market is in a downturn this may not be in their best interest. Mr. Davie asked ING to provide the time frame for the move from the current options to the target date funds. ING stated it anticipates the conversion and fund mapping to be complete in mid-February 2011.

Staff noted that the Plan previously removed actively managed target date funds from the ING platform and mapped these into the current target risk funds. Staff noted the same assumptions and policies will be applied when mapping these investment options, which will include either age-based or risk-based assumptions.

Motion made by Mr. Brian Davie to direct Staff to work with Mercer and ING to replace the ING Custom Target Risk Portfolios with the Vanguard Target Date Funds, seconded by Vice Chair Rex Reed. Motion passes unanimously.

C. Search for Hartford Actively Managed International Option to replace Alliance Bernstein International Value Fund* ([Audio: 10:29 AM](#))

Staff provided information on redemption fees. Staff noted that Hartford is unable to administer redemption fees. Staff stated that due to Hartford's inability to administer these fees, it has amended its recommended motion. Staff noted the amended motion is to defer any recommendation on the International Equity search for the Hartford platform. (Please see [Exhibit A-9](#))

Mr. Brian Davie asked Hartford why this issue was noted very late in the process; especially since the motion to remove the current fund was passed at the August meeting. Mr. Davie noted that such a limiting factor should have been noted immediately following the August meeting.

Hartford representative apologized citing an internal miscommunication within Hartford as the reason for the delay. The representative explained that one fund was a case of mistaken identity and the other fund was no longer available. Hartford representatives noted it will be able to record-keep redemption fees by November of 2011.

Mr. Brian Davie noted a concern with the delay due to the fact the Committee determined the current fund should be removed and, due to Hartford's delay, participants will now be forced to stay invested for the next several months in a fund the Committee has determined to be inferior. Mr. Davie stated the situation should be resolved as quickly as possible to ensure participants have the best option available.

Mr. Brian Davie inquired if the limited number of options available at the Hartford is concerning because the Plan is limited to not necessarily the best options but simply those Hartford can administer. Staff noted that due to this possibility, it is requesting a deferral to consider all options available. Mercer stated it agreed with Staff and noted its best practice is to conduct a search which starts with a wide list of funds given the criterion determined by the Board to find the best options available and then work with the provider to add the fund to its platform, if necessary.

Mr. Brian Davie asked Mercer if the Plan will have to incur more costs because a new search will need to be conducted. Mercer stated the contract with Nevada allows for two searches per year and the most recent search was considered a full search. Mercer indicated it will work with Staff to find the best possible solution. A discussion ensued regarding the potential billing for a new search.

Mr. Andy MacKay commented that Hartford is now committed to get the necessary information to Mercer. Mr. MacKay noted he does not want to see this happen again with the Hartford. Mr. MacKay noted with respect to Hartford, such as the business license, that everything is done at the last minute and it is unacceptable. Mr. MacKay noted he is extremely disappointed and does not want information to come to the Board, its Staff, or any consultant again at the 11th hour.

Motion made by Vice Chair Rex Reed to defer recommendation on International Equity search for The Hartford Platform, seconded by Mr. Brian Davie. Motion carries unanimously.

- D. Investment Offering Review presentation by Mercer and Staff for period ending September 30, 2010* ([Audio: 10:48 AM](#))

A Mercer representative presented a quarterly performance review of the Deferred Compensation Program investment options for the period ending September 30, 2010. (Please see [Exhibit A-10, pages 5-34](#))

Mr. Andy MacKay asked Mercer if the International Monetary Fund (IMF) bails out Ireland, what will happen to the strength of the dollar. Mercer stated that they do not know what the currency implications would be if the IMF be forced to assist Ireland.

Mr. Brian Davie asked Mercer when an emerging market becomes a developed market. Mercer mentioned that different organizations and indices utilize different criterion, such as the Morgan Stanley Capital International Europe, Australasia, and Far East (MSCI EAFE) versus the World Bank. Mercer noted criterion utilized can be the gross domestic product (GDP) per capita, or more qualitative criterion, such as legal and proper rights. Mercer noted if one uses the MSCI EAFE standards two countries moving from emerging to developed would be South Korean and Taiwan.

E. Fund Watch List Approval* ([Audio: 11:09 AM](#))

(Please see [Exhibit A-4, Page 16](#) and [Exhibit A-10, Pages 17-20](#))

▪ Hartford General Account	Remove from Watch
▪ Invesco Van Kampen Equity & Income	Remain on Watch
▪ Lazard U.S. Mid Cap Equity Income	Remain on Watch
▪ AllianceBernstein Intrntl Value	Terminate/Replace
▪ Oppenheimer Main Street Small Cap	Remain on Watch
▪ Mutual Global Discovery	Remain on Watch
▪ Munder Mid Cap Growth Fund	Add to Watch
▪ Keeley Small Cap Value Fund	Add to Watch

Mr. Brian Davie asked Mercer and Staff to include the dates and issues for the funds on watch in both the presentation and the booklet. Staff noted this change and Mercer stated that they can enhance the report by adding the information in a summary table.

Motion made by Vice Chair Rex Reed to approve the Committee's Fund Watch list as amended or submitted, seconded by Mr. Brian Davie. Motion passed unanimously.

IV. ADMINISTRATION

A. Review of Current and Submitted Budget* ([Audio: 11:24 AM](#))

Staff noted the item was placed on the agenda to allow the Committee to review the changes made, pursuant to the August Committee meeting, regarding both the current and next biennium budget. (Please see [Exhibit A-11](#) and [Exhibit A-11i](#))

Vice Chair Rex Reed noted concern with the budget amount for personal vehicle reimbursements for in-state travel. Vice Chair Rex Reed stated the amount seems too low to allow for reimbursement for Committee members and/or Staff, when necessary. Vice Chair Rex Reed requested Staff inquire with the Budget Office regarding an increase in the personal vehicle in-state budget. Staff will contact the Budget office to determine if the amount can be increased prior to submitting. Vice Chair Rex Reed indicated he would like to see this amount closer to \$200 rather than \$28.

Mr. Brian Davie requested clarification regarding in-state travel for the current biennium. He noted the motion passed by the Committee at the August meeting only pertained to the next biennium and was silent on the current budget. Mr. Davie stated the discussion seemed to indicate the Committee's desire to reduce in-state travel for this fiscal year by not providing reimbursement for his travel for both the February and June meetings; however, it was not noted in the motion passed. Mr. Davie stated he is in favor of requiring either videoconferencing or personal expense for his attendance at the February and June meetings. Chair Jim Barnes indicated this was his understanding. Mr. Andy MacKay also agreed with Mr. Davie and noted the Governor's letter requested reducing the travel expenses beginning in October 1, 2010. Discussion ensued regarding this issue.

Mr. Brian Davie noted a concern with the increase in the Administrative Services fee for the Plan. Mr. Davie noted the increased was over 160% and requested additional information on how the fee is calculated. Mr. Evan Dale, Administrator for the Administrative Services Division (ASD), indicated that every even number year, the ASD reviews each budget account's portion of resources utilized, such as the number of transactions and hours spent on the account. Mr. Dale mentioned in fiscal year of 2008 the Plan did not have employees until the last 3 months; as compared to 1.5 employees in fiscal year 2010. Mr. Dale noted the increase in employees was the primary driver for the increase in fees.

Mr. Brian Davie asked Mr. Dale what constitutes a transaction. Mr. Dale stated that a transaction is any entry in the State's general ledger, which includes credits and debits of accounts. Mr. Dale noted that employees create transactions for travel, payroll, furloughs, etc.

Staff inquired if any duties, currently being conducted by ASD could be switched to the Plan Staff to help reduce fees. Mr. Evan Dale indicated Staff currently does a good job of keeping the costs down by avoiding work programs but that he could not note any further duties that could be completed by Plan Staff.

Vice Chair Rex Reed inquired about the contracts noted in Category 4 (7060 – 7064). Staff noted that contract 7060 is the investment consultant and compliance contract, contract 7061 is the financial auditor contract, contract 7062 was the Wallace contract, and contract 7064 is the anticipated fee for the next provider request for proposal based on the current contract with the investment consultant.

B. Discussion Regarding Investment and Compliance Consultant Contract, including Request for Proposal (RFP) Timeline* ([Audio: 11:40 AM](#))

Staff presented a proposed timeline for the next consultant RFP. (Please see [Exhibit A-4 Page 17](#) and [Exhibit A-12](#))

Chair Jim Barnes asked Staff if the timeline could be accelerated. Staff noted that the timeline is consistent with the current contract that expires on 12.31.2011. Chair Jim Barnes inquired about breaking the existing contract to accelerate the timeline.

Deputy Attorney General Cameron Vandenberg noted that the current contract does allow, with 30 days notice, any party to unilaterally terminate without cause. Ms. Vandenberg noted there is no legal barrier to do this but asked Staff to elaborate on any business concerns.

Staff opined that terminating contracts without cause would send a negative message to all potential and current contractors and may reduce their willingness to conduct business with the Plan. Staff stated it does not advise the Committee terminate contracts without cause due to the likelihood it would limit future bidders for all contracts.

Chair Jim Barnes noted that by terminating the contract early, there would be a good chance to save money and return any excess to the participants. Staff noted the Committee made the decision two years ago, knowing the fees associated with the contract, to hire the current investment consultant and terminating the contract early without cause would not be advised.

Mr. Brian Davie noted confusion regarding the rationale for terminating the contract early. He stated Mercer was chosen for a variety of reasons, such as quality, contractually accepting fiduciary responsibility, and unmatched research. Mr. Davie noted it would not be to the participants' advantage to terminate the contract early to return a few dollars; however, he did indicate looking at the market place in an attempt to reduce costs within the contract timeframes is a positive decision.

Mr. Andy MacKay asked Staff if allowing consultants 28 days to complete and return an RFP was enough time. Staff noted that the RFP was slimmed down and 28 days should be enough time. Mr. MacKay also stated that the contract for the Board of Examiner's (BOE) is to be completed in November but questioned if it should be completed earlier to ensure compliance with BOE deadlines. Staff noted that the decision will be made by the Committee in August and the contract negotiation would begin immediately following the August decision.

Deputy Attorney General Ms. Cameron Vandenberg stated that the final contract will be completed around October but the deadline for the December BOE meeting will be in November. Vice Chair Rex Reed would like the final contract to be completed in October.

Motion made by Mr. Andy MacKay to adopt the proposed timeline as noted by Staff, with the exception of the final contract being completed in October, seconded by Mr. Brian Davie. Motion passed with 3 in favor and 1 opposed with Chair Jim Barnes in opposition.

C. Roth 457 Discussion* ([Audio: 11:51 AM](#))

Staff and Hartford presented an informational presentation regarding the new Roth 457(b) regulations. (Please [Exhibit A-13](#) and [Exhibit A-13i](#))

Mr. Andy MacKay inquired about the difference between the Roth Individual Retirement Account (IRA) versus the Roth 457(b). Staff noted the rules and regulations for the plan stay the same; the only difference is a participant's choice in making pre or post tax contributions. The Hartford representative noted the Roth IRA has lower contribution limits and is not associated with the employer, similar to a regular IRA.

Mr. Brian Davie inquired if the 5-year requirement in the Roth 457 is a vesting period. The Hartford representative stated that it is not a vesting period but rather the participant will need to maintain the account for five-years and become eligible for a distribution to be eligible for a tax-free distribution for the entire amount.

Vice Chair Rex Reed inquired if a participant could open the Roth 457 and then eventually transfer the regular (pre-tax 457) to the Roth 457. Hartford stated that there is no such provision. *(Please note the Roth 457 does allow a participant, with an eligible triggering event (termination, retirement, etc.) to transfer (known as a 'conversion') the regular 457 to the Roth 457. The participant would need to pay taxes on 100% of the regular 457 plan.)*

Staff stated that the Committee can look to its 403(b) and 401(k) partners for assistance with Roth 457 contributions, due to the fact these plans have been in place for several years. Staff noted that the new piece of legislation allows participants to convert the existing 401(k), 403(b) or 457(b) to their Roth counterparts. Staff also noted the Department of Labor has noted the need for clarification regarding the conversions and is recommending plan sponsors wait for additional guidance.

Staff also stated that it has been reaching out to the major payroll centers within the Plan to understand their ability to administer both post and pre-tax contributions. Staff noted the Plan's largest payroll center, Central Payroll, has begun to work with the providers and anticipates the ability to administer this feature by the first quarter of the 2011. Staff noted that the other main payroll centers have also noted the ability to comply or administer this feature, assuming a 90-day notice. Staff stated that with over 50 payroll centers it is likely that payroll centers will be complying with this feature at various times.

Staff recommended it continue to conduct research on this features, through discussions with payroll representatives, information provided through the National Association of Governmental Defined Contribution Administrators (NAGDCA) and the providers and report this information, including action steps and a timeline to the Committee. Vice Chair Rex Reed indicated that this item does not need a motion but rather to request Staff proceed with gathering information and providing action steps and timelines at the next meeting.

D. Demographic Report ([Audio: 12:20 PM](#))

Staff presented, pursuant to the 2010 Planning meeting, demographic information for Plan participants and state government employees. Staff noted this information will assist the Plan with future, targeted communications. (Please see [Exhibit A-4, Page 18-24](#) and [Exhibit A-14](#))

E. Targeted Communication – Presented by ING ([Audio: 12:28 PM](#))

ING representatives presented information on communication efforts it has utilized for other Plans and the results of the communication efforts. (Please see [Exhibit A-15](#) and [Exhibit A-15i](#))

Mr. Brian Davie thanked Iris Ward for her help in reviewing the Plan's NAGDCA award submission.

F. Financial Education Day Report ([Audio: 12:49 PM](#))

Staff discussed the most recent Financial Education Days in Carson City, Las Vegas and Reno. (Please see [Exhibit A-4, Pages 25-27](#))

G. Communication Plan Update ([Audio: 12:51 PM](#))

Staff discussed recent and upcoming communication efforts. (Please see [Exhibit A-4, Page 27](#))

V. RATIFICATION AGENDA* ([Audio: 12:54PM](#))

A. Defined Contribution Institutional Investment Association (DCIIA)

Staff noted the Executive Officer attended a conference in San Francisco at her own expense. Staff stated that this conference is the first that incorporated both the public and private sectors. (Please see [Exhibit A-16](#))

B. Approve Ethics Disclosure Reports

Mr. Brian Davie complimented the Executive Officer regarding the honesty on the disclosure report. Mr. Davie also complimented Chair Jim Barnes and Vice Chair Rex Reed regarding their decision to reimburse the providers for expenses that were not noted on the ethics disclosure reports.

Motion made by Mr. Brian Davie to approve the Ratification Agenda items as submitted, seconded by Vice Chair Rex Reed. Motion passed unanimously.

VI. REPORT SECTION ([Audio: 12:57 PM](#))

Staff noted the current budget information. (Please see [Exhibit A-17](#))

Vice Chair Rex Reed asked Staff about the revenue line item 3827 provider service category 08 regarding the amount of \$237.38. Staff noted that the plan received two mutual fund settlements since the August meeting which did not meet the diminimus standard. Staff noted these items will be included in the ratification agenda for the February meeting.

VII. COMMENTS ([Audio: 12:58 PM](#))

A. Investment Consultant/Service Providers had no comments.

B. Deputy Attorney General had nothing to report.

C. Committee Members had nothing to comment.

D. Staff had no comments.

E. Public – no comments.

VIII. ADJOURNMENT

The meeting was adjourned at 12:59 PM.

Respectfully Submitted:

Jenny Potts
Administrative Assistant

Approved by:

Tara Hagan
Executive Officer

LIST OF EXHIBITS

- Exhibit A: Staff booklet, Tab I-B, August 19, 2010 Meeting Minutes
- Exhibit A-1: Staff booklet, Tab I-C Meeting Dates
- Exhibit A-2: Staff booklet, Tab I-D Status of the Office of the Governor's Memo
- Exhibit A-2j: Board of Commission Reporting Requirements Letter from the Office of the Governor
Exhibit A-2ji: 2010 Emergency Budget Action Letter from the Office of the Governor
- Exhibit A-3: Staff booklet, Tab I-E, NAGDCA Conference Report
- Exhibit A-3i: 2010 NAGDCA Annual Conference agenda
- Exhibit A-4: Staff Presentation, Pages 1-24
- Exhibit A-5: Staff booklet, Tab II-B, ING Credit Rating Downgrade
- Exhibit A-5j: ING Company Statement
- Exhibit A-6: Staff booklet, Tab II-C, Provider Site Visit
- Exhibit A-6j: Hartford Site Visit Agenda
Exhibit A-6ji: ING Site Visit Agenda
- Exhibit A-7: Staff booklet, Tab III-A, Hartford General Account Discussion
- Exhibit A-7j: Hartford Ratings
Exhibit A-7ji: Mercer Stable Value Review
- Exhibit A-8: Staff booklet, Tab III-B, ING Custom Portfolios Underlying Fund Change Update
- Exhibit A-8j: Mercer Vanguard Target Retirement Funds Analysis
- Exhibit A-9: Staff booklet, Tab III-C, International Equity Fund Search – Hartford Platform
- Exhibit A-10: Mercer Investment Report dated Third Quarter 2010 for period ending September 30, 2010, entitled *Performance Evaluation, State of Nevada*
- Exhibit A-11: Staff booklet, Tab IV-A, Review of Current and Submitted Budget
- Exhibit A-11i: 2011-2013 Biennium Budget
- Exhibit A-12: Staff booklet, Tab IV-B, Consultant Request for Proposal Timeline
- Exhibit A-13: Staff booklet, Tab IV-C, Roth 457 Discussion
- Exhibit A-13i: History of Roth
- Exhibit A-14: Staff booklet, Tab IV-D, Demographic Report
- Exhibit A-15: Staff booklet, Tab IV-E, Targeted Communication
- Exhibit A-15i: ING Presentation
- Exhibit A-16: Staff booklet, Tab V-A, Defined Contribution Institutional Investment Association
- Exhibit A-17: Staff booklet, Tab VI, Report Section
- Exhibit B: Hartford Quarterly handout
- Exhibit C: ING Quarterly handout