

Brian Sandoval
Governor



COMMITTEE

Rex Reed, Chair
NDOC

Jim Barnes, Vice Chair
RETIRED

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**

Friday, February 18, 2010, 1:00 PM

Cameron Vandenberg
Deputy Attorney General

The first quarterly meeting of the Nevada Deferred Compensation Committee was held on Friday, February 18, 2011, at 1:00 p.m. in Room 3161 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
Greg Burke, Hartford (by phone)
Scott Craigie, Hartford
John Crossley, Retired
Kent Ervin, UNR
Michael Hackett, Hartford
Chris Hanlon, Hartford (by phone)
Tom Heseltine, Clifton Gunderson (video conference from Las Vegas)
Scott Hudson, ING (by phone)
Eileen Kwei, Mercer
John Ladd, Hartford (by phone)
Steve Platt, ING
Doug Skelley, Hartford (by phone)
Phil Suess, Mercer (by phone)
Todd Theroux, Hartford (by phone)
Robert Trenerry, Hartford
Tom Verducci, Hartford
Wade Walters, Hartford (by phone)
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: 1:03 PM](#))

The 1st quarterly meeting of 2011 of the Deferred Compensation Committee was called to order by Chair Jim Barnes at 1:03 pm, February 18, 2011, in Room 3161 of the Legislature Building, 401 S. Carson St., Carson City, NV. Members Present: Vice Chair Rex Reed, Mr. Brian Davie, Mr. Andrew MacKay, and Deputy Attorney General (DAG) Cameron Vandenberg. Ms. Diane Comeaux arrived at 1:51 PM.

B. Election of Chair and Vice-Chair* ([Audio: 1:07 PM](#))

Mr. Brian Davie recommended the Chair position rotate each year to allow all members the chance to serve as Committee Chair. He stated in the more recent years the Chair did not rotate due to the fact other members did not have the time or inclination to be Chair and his assistance with the transition to Staff. Mr. Davie nominate Dr. Rex Reed to be Chair and Mr. Andy MacKay to be Vice Chair.

Mr. Andy MacKay stated that he cannot commit the amount of time necessary to be Vice Chair. He is honored to be nominated but does not believe it would be fair to the Plan. He noted his desire to amend the motion to nominate Mr. Jim Barnes for Vice Chair.

Motion made by Mr. Brian Davie to nominate Dr. Rex Reed as Chair and Mr. Jim Barnes as Vice Chair, seconded by Mr. Andy MacKay. Motion passed unanimously.

Motion made by Mr. Davie to close the nominations for Chair and Vice Chair positions, seconded by Dr. Rex Reed. Motion passed unanimously.

Motion made by Mr. Davie to elect Dr. Rex Reed as Chair and Mr. Jim Barnes as Vice Chair, seconded by Mr. Andy MacKay. Motion passed unanimously.

C. Approval of the minutes of the meeting on November 18, 2010 and December 16, 2010* ([Audio: 1:10 PM](#))

Motion made by Mr. MacKay to approve the minutes for the November 18, 2010 meeting and December 16, 2010 Planning meeting, seconded by Mr. Davie. Motion passed unanimously.

(Please see [Exhibit A](#) and [Exhibit Ai](#))

D. Meeting Dates* ([Audio: 1:11 PM](#))

Mr. MacKay stated that he contacted Staff regarding the June 9th meeting and asked about moving it to a different date due to the possibility of a special Legislative session. Staff noted a discussion with Mr. Davie regarding room availability during Session. Mr. Davie indicated that the June 9 date is best because attempting to reserve a room in May would be almost impossible due to the end of the session being a hectic time with limited room availability. He

also stated that a special Legislative session generally does not affect the ability to utilize a previously scheduled room. (Please see [Exhibit A-1](#))

Motion made by Vice Chair Jim Barnes to approve the 2011 meeting dates, as submitted, seconded by Mr. Davie. Motion passed unanimously.

II. PROGRAM REPORT

- A. Plan Activity period beginning October 1, 2010 and ending December 31, 2010. ([Audio: 1:55 PM](#))

Staff reported the plan activity for period ending December 31, 2010. Staff noted that the Plan assets have increased 13% over the past 12 months. (Please see [Exhibit A-4, Pages 2-7](#)).

Staff noted the use of an additional tool to assist the Plan in determining the quality of investment options. Staff stated the investment option percentile rankings for both performance and risk will now be reviewed, in addition to the Morningstar star ratings. Mr. Davie stated the use of percentile rankings is a good addition and noted he often utilizes these in preparing for the investment option discussion. Staff noted the funds with the lowest percentile rankings were consistently the twelve (12) funds in the aggressive categories. Staff opined that due to the style drift and volatility of these funds, they will most likely either be at the very top or bottom of the rankings. Mr. Davie noted unease with participants who have their entire accounts in one of these types of funds. He questioned if the Plan should reach out to these participants to assist them in understanding the importance of diversification.

- B. 2010 Annual Participant Fee and Provider Revenue Reconciliation Report. ([Audio: 2:10 PM](#))

Staff presented the 2010 participant fee and reconciliation report. Staff noted that the most recent participant survey indicated fee disclosures are important to many participants. (Please see [Exhibit A-4, Pages 8-11](#), [Exhibit A-5](#), [Exhibit A-5i](#), [Exhibit A-5ii](#), [Exhibit A-5iii](#), [Exhibit A-5iv](#), [Exhibit A-5v](#), [Exhibit A-5vi](#), [Exhibit A-5vii](#), and [Exhibit A-5viii](#))

Mr. Davie asked the Hartford Representative how Hartford is able to determine the revenue generated from the Nevada portion of the General Account if the assets of the Life Portfolio are pooled and not segregated. Hartford representative noted it will provide additional information on the revenue calculation.

Mr. Davie asked Staff if it agrees with the ING calculations since they differ from Staff's calculations. Staff noted its initial calculations are meant to simply determine if an overage in revenue has occurred. Staff stated if an overage is determined; it then requests the provider calculate more exact revenue for the entire year. Staff indicated that ING's numbers are more exact and are therefore correct.

III. INVESTMENT REPORT

- A. Discussion regarding Stable Value Investment Option trends in the Retirement Industry ([Audio: 1:39 PM](#))

At the request of Staff, this item was taken out of order and discussed after item III-B. (Please see [Exhibit A-3](#))

Mercer stated the stable value fund in the Nevada Plan is funded through the general account investment of the insurance company, meaning the insurance company provides the guarantee associated with those funds and also provides the participants' with book value liquidity (monies are transferred in and out of account without fluctuation in principal). The Representative opined that Nevada's current structure bundles the investment management and guarantee into

one entity, in this case the Hartford. The Representative noted general accounts, like any investments, do contain risks and the risks associated with general accounts are credit risk of the company and liquidity risk to participants and plan sponsors. The Representative noted that new products have been developed in the stable value industry to help plan sponsor's address these risks, such as investments being invested and managed outside the insurance company and greater emphasis on transparency of investment holdings, credit rate determination and fees. The Representative noted the three themes in today's stable value funds are transparency, diversification and liquidity.

Chair Reed asked the Mercer Representative if the three different types of guaranteed investment contracts (GICs) include, general accounts, separate accounts, and synthetic accounts. The Representative stated that is correct and noted in the general account the assets are owned by the insurance company, in the separate account the assets are owned by the insurance company, and in the synthetic structure the underlying assets are owned by the Plan.

Mr. Davie asked Mercer about transparency and if the changes in stable value funds are being promulgated by the Department of Labor fee disclosure regulations, or if the change is simply a function of the industry. The Representative stated that it is more a function of the industry. Mr. Davie inquired regarding the number of state plans currently utilizing a general account versus a more traditional stable value fund. The Mercer Representative stated that the majority of large state plans are invested in a more diversified structure than solely a general account product and noted a National Association of Governmental Defined Contribution Administrators (NAGDCA) survey which will be provided to Staff for follow-up at the next meeting.

Mr. Davie asked Mercer if the general account is structured to benefit the company and the more traditional, diversified stable value funds are more geared toward the goals and objectives of the participants. Mercer Representative noted Mr. Davie's statement is a fair assessment; however, the general account structure allows any gains or losses to be absorbed by the company whether it is taking more or less risk in guaranteeing a particular crediting rate.

Mr. MacKay asked the Mercer Representative if it sees a greater rate of return in the general account or synthetic GIC investment vehicle for participants in a state plans. The Representative stated that the rate of 4.5% is rather high whether compared to a general account product or a synthetic GIC product. Mercer Representatives noted the comparison isn't apples to apples due to the general account's ability to invest in holdings with longer durations, lower overall credit quality and illiquid assets relative to a separate account or synthetic GIC.

Mr. Davie stated testimony was provided from The Hartford which stated that of the 2000 governmental plans it currently administers, 90% are receiving a rate of 3% to 3.25%. Mr. Davie asked the Hartford Representative if those plans are subsidizing the higher rates for plans such as Nevada. The Hartford Representative stated that it isn't subsidizing the rate but rather because of the pooled nature of the account, Hartford has the flexibility to provide some of the larger plans with an enhanced rate.

Chair Reed recommended Staff add an item on the next meeting's agenda regarding further discussion on the types of guaranteed investment contracts.

B. Hartford General Account Discussion* ([Audio: 1:15 PM](#))

At the request of The Hartford, this item was taken out of order and discussed after item I-D. Staff noted the purpose of the discussion is to answer Committee member questions noted at the November 2010 meeting and assist the Committee in assessing the risk associated with the Hartford General Account.

Mercer noted the Hartford General Insurance Account one-page summary provides information on the \$60 billion portfolio of which Nevada's \$235 million is invested. Mercer noted the general account is a guaranteed investment which currently credits Nevada participants a rate of 4.50% annually. Mercer stated the crediting rate is very competitive when compared to both general

insurance accounts and more traditional stable value vehicles, such as synthetic guaranteed investment contracts (GICs).

Mercer opined that the one-page summary indicates 7% of the portfolio is invested in United States Treasuries which is on the lower end of the spectrum and the portfolio spread sectors holdings, such as corporate bonds are at 60% as September 30, 2010, which is at the higher end of the spectrum when compared to both general accounts and synthetic GICs. Mercer noted the duration of the General Account has more longer dated maturities and less in the shorter duration as compared to similar investment vehicles. Mercer stated the more aggressive investment style may be the result of Hartford's need to not simply invest for Nevada participants but also the need to hedge against other corporate liabilities. (Please see [Exhibit A-4, Pages 12-14](#), [Exhibit A-2](#), and [Exhibit A-2i](#))

Mr. MacKay asked the Mercer Representative if the credit quality in the Hartford General Account is consistent with Mercer's comfort level for this type of investment. The Representative stated that the portfolio is a larger pool of securities managed for corporate liabilities and not solely for the Nevada Deferred Compensation Plan. The Representative noted that if one compared the exposure in this account to a more institutional type product managed solely for a deferred compensation plan, the overall quality is lower than what Mercer would like to see.

Mr. Davie asked Mercer if the information provided by Hartford regarding the investment management of the General Account is enough information to assess the management, similar to other options in the Plan. The Mercer Representative noted it did receive the information and will review it in more detail for the Committee. Mr. Davie inquired if Hartford has a general account portfolio and a Life Portfolio and the difference between the two. The Representative stated that the Life portfolio is a pooled investment but separate from the Property and Casualty portfolio.

Mr. Davie asked Hartford if the Life Portfolio is a part of the \$59 billion and not segregated. Hartford Representative stated it is pooled into the General Account. The Representative stated that Nevada's assets are part of the Life Portfolio, which is managed separately from the Property & Casualty (P&C) Portfolio. Mercer also asked Hartford if the assets of the life company stand independent from the P&C portfolio. The Hartford Representative stated the Nevada assets are within the context of the Life company only. Mercer Representative inquired about any segmentation of assets within the Life Portfolio. Hartford Representative indicated the assets in the Life Portfolio are segmented across multiple lines of business which assist Hartford in managing its liabilities within the Life Portfolio. Mercer Representative inquired if Hartford could share the size of the liabilities of the general account product Nevada is invested in relative to the total liabilities of the Life Portfolio. Hartford Representatives did not know if this level of detail complies with disclosure regulations but it would disclose this information if possible.

Mr. Davie stated that he is concerned with the \$235 million in the Plan and the risk the participants are taking when investing in the General Account. He also stated in the future, it would be helpful to review only the assets in the Life Portfolio. He further inquired if the assets within the Life Portfolio could be further segmented to assist the Committee in better assessing the risk specific to the portion which invests Nevada participant assets. Hartford Representative indicated it is providing information which secures the policy and assets which support the Nevada plan.

Chair Reed stated that it is his understanding the Nevada's assets are in the Life Portfolio and are not segregated in any way. Hartford Representative stated that the assets of the Nevada Deferred Compensation Plan are pooled in the Life Portfolio.

Mr. Davie stated in one of the pieces of information provided, he was confused with the reports and could not tell the value of the numbers. Mr. Davie asked if the Committee can be educated on how to better read the reports. The Hartford Representative concurred with Mr. Davie and stated it will do a better job supplying the information with a greater explanation. Chair Reed also agreed with Mr. Davie but is thankful that Mercer and Staff are able to assist with the

document review and analysis. Chair Reed also thanked Hartford for supplying the information in such short notice.

Staff requested Hartford continue to supply the summarized information on a quarterly basis. Staff also noted the most important aspect of the Hartford General Account is the financial strength and credit ratings of The Hartford.

- C. Search for Hartford Actively Managed International Option to replace Alliance Bernstein International Value Fund* ([Audio: 2:23 PM](#))

Staff provided information on the International Equity Fund Search. (Please see [Exhibit A-4, Pages 15-17](#) and [Exhibit A-6](#))

Mr. MacKay asked Staff if there is a plan by Staff and Mercer to search for a replacement for the actively managed fund, since this creates a reduction of one fund for Hartford. Staff noted that once Hartford is able to record keep redemption fees it recommends searches for both passive and active managed funds in this category.

Mr. Davie stated he was concerned that the delay in making this change would negatively affect the participants. However, he was pleased that a review of the performance over the past three months noted similar returns in the two funds and the delay appears to not have negatively impacted participants

Motion made by Mr. MacKay to eliminate the AllianceBernstein International Value Fund and map its assets into the American Beacon International Equity Index Fund currently on the Hartford platform, seconded by Vice Chair Barnes. Motion passed unanimously.

- D. Investment Offering Review presentation by Mercer and Staff for period ending December 31, 2010 ([Audio: 2:27](#))

Mercer Representative presented the quarterly performance review of the Deferred Compensation Program investment options for the period ending December 31, 2010. (Please see [Exhibit A-7, Pages 5-9, 11-13](#))

Mr. Davie noted the Oppenheimer Main Street Small Cap has been on the watch list since August 2009 due to manager changes. He stated normally a fund with a manager change is on the list for one year and asked Mercer if there is a particular reason why this fund has remained on watch for over one year without any recommended action. Mercer Representative stated that typically with a manager change, it recommends maintain the fund on the watch list longer than a year to ensure the team is intact and the performance is consistent.

Mr. MacKay and Vice Chair Barnes thanked Mercer for its report and information.

- E. Fund Watch List Approval* ([Audio: 2:49 PM](#))

(Please see [Exhibit A-4, Page 18](#) and [Exhibit A-7, Pages 17-20](#))

| | |
|---|-------------------|
| ▪ Hartford Mid Cap | Add to Watch |
| ▪ American Funds Growth Fund of America | Add to Watch |
| ▪ Invesco Van Kampen Equity & America | 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 | Remain on Watch |
| ▪ Keeley Small Cap Value Fund | Remain on Watch |

Motion made by Mr. Davie to approve the Committee's Fund Watch list as submitted, seconded by Ms. Diane Comeaux. Motion passed unanimously.

IV. LEGISLATION

A. Issues to be addressed as a result of the 2011 Legislative Session* ([Audio: 2:50 PM](#))

Staff stated the plan presented its 2012-13 Biennium Budget to the 2011 Legislature on Friday, February 11. Staff thanked Chair Barnes, Vice Chair Reed, and Mr. Davie for attending the meeting. (Please see [Exhibit A-4, Page19-20](#), [Exhibit A-8](#), [Exhibit A-8i](#), [Exhibit A-8ii](#), [Exhibit A-8iii](#), [Exhibit 8-iv](#), and [Exhibit A-8v](#))

Vice Chair Barnes noted he realizes how difficult those hearings can be and thought that Staff did an excellent job in presenting the budget and answering questions. Chair Reed also stated that the meeting went well due to Staff's hard work and preparation.

Mr. Davie attended the meeting via video conference and agreed with the comments regarding Staff's presentation.

Staff noted that Senator Ben Kieckhefer requested information regarding the gross rate of return for the Plan. Staff stated the calendar year 2010 gross rate of return for the Plan was 12.45%, while the broad market index was 15.1% for the same time period.

Staff noted that the initial office space recommended by the Buildings and Grounds Division could not accommodate both employees and Staff will be moving into a slightly larger space. Staff noted that although the new space is \$2500 more per biennium compared to the initial space, it remains \$2500 less per biennium than the current leased space.

Mr. MacKay asked Staff where the office will be located. Staff responded the new office will in the Nevada State Library and Archives building on the second floor. Staff also stated it will be moving on March 15th and will have new telephone numbers.

Chair Reed asked Staff if the office space will have a lockable door. Staff noted that the office does have a locking door, as well as lockable shelving.

Staff discussed the results of the automatic enrollment research. Staff noted that 16% of all defined contribution retirement plans utilize automatic enrollment, including private and public sectors. Staff also stated that three state plans currently utilize a hybrid retirement system, which combines the defined benefit and defined contribution features.

Mr. Davie stated, with regards to the auto enrollment, that the deadline to submit a bill draft was in September 2010 and it's his understanding the Committee's decision was to not submit any bill drafts. He noted the Hartford provided Staff with the Washoe County resolution on this issue and asked Hartford for an update regarding Washoe County's intentions.

The Hartford Representative provided the information to Staff for informational purposes. Hartford stated that currently Washoe County has not proceeded with legislation either to the Washoe County Commissioners or the 2011 Legislature.

V. ADMINISTRATION

A. Fiscal Year 2010 Financial Audit Update by Clifton Gunderson ([Audio: 3:09 PM](#))

Staff presented the FY10 financial audit report and introduced the Clifton Gunderson Representative. (Please see [Exhibit A-4, Pages 21-22](#), [Exhibit A-9](#), [Exhibit A-9i](#), [Exhibit A-9ii](#), [Exhibit A-9iii](#), [Exhibit A-9iv](#), [Exhibit A-9v](#), and [Exhibit A-9vi](#))

Clifton Gunderson Representative discussed the audit process and reports. The Representative thanked Staff for working with them and for gathering the necessary information for the audit. The Representative also stated that this year's audit went more smoothly than the prior year.

The Representative first discussed the Agreed Upon Procedures Reports, starting with the employer report which audited the five largest employers and two haphazardly selected employers. The Representative stated no exceptions were noted. (Please see [Exhibit A-9vi.](#))

The Clifton Gunderson Representative reviewed the Provider Agreed Upon Procedures report and noted fewer exceptions this year versus last. The Representative did mention an exception for ING in which a participant distribution was delayed beyond the contractually required 3 business days. (Please see [Exhibit A-9v.](#))

Mr. Davie asked Clifton Gunderson to explain the procedures required to correct an excess deferral. Staff stated excess deferrals must be returned via check to the participants and indicated any appreciation or depreciation on those assets must also be considered. Staff noted the participants received two 1099Rs, one for the excess deferrals and one for the appreciation (if applicable). Staff noted it worked closely with the providers and payroll centers during 2010 to identify those participants who were contributing to both providers and cease their deferrals prior to the amounts being in excess of the annual limit.

The Clifton Gunderson Representative discussed the financial statements for the Nevada Deferred Compensation Plan. The Representative stated Clifton Gunderson takes a risk based approach to the audits and reviews the control environment of the two providers, control environment of the employers, and the control environment based on the validation conducted by the management of the Plan. The Representative mentioned that based upon the risk assessment and work programs, Clifton Gunderson does customize the approach on auditing the Plan. The Representative noted that during the process Clifton Gunderson was able to validate the information provided and express an unqualified opinion that the financial information as presented can be relied upon. ([Audio: 3:21 PM](#))

Mr. Davie noted that representation letters were received from ING and Staff but not from Hartford. The Clifton Gunderson Representative stated that it is an internal decision by Hartford to not make these representations and unfortunately the letter is important as it does represent that Hartford is providing information to the best of its ability and has not omitted or misrepresented any material items. The Representative stated Clifton Gunderson does not have the authority to force the provider to submit a representation letter, as it is contracted with the Plan and not the providers.

Staff noted it is currently working with Hartford and Clifton Gunderson to reach a consensus regarding submitting a representation letter for the fiscal year 2011 audit.

Ms. Comeaux asked Hartford if we are the only Plan who requests this type of letters. The Hartford Representative stated that he is unaware of the information Clifton Gunderson is seeking and will provide additional information to the Committee and Staff at a later date.

Chair Reed asked The Hartford and Clifton Gunderson regarding the procedure when a participant takes an emergency withdrawal, referring to Attachment A, page 1, in the Participants Account Status. Chair Reed stated the Clifton Gunderson letter states "*We recommend that as a best practice, the Hartford should remove the employee's active status when a participant takes a partial withdrawal*" (See [Exhibit A-9i](#)). Chair Reed questioned how this action would affect a current employee who takes an unforeseen emergency distribution and questioned whether this employee would then be coded as 'inactive'. Hartford Representatives will need to provide information to the Committee and Staff at a later date.

Staff stated that it will work with the providers and Clifton Gunderson to provide the Committee with resolutions to these items, including the question of inactive account status and best practices.

Chair Reed commented that Clifton Gunderson may need to clarify its recommendations regarding this item for Staff and the providers to move forward with a better resolution.

Mr. MacKay inquired how ING administers unforeseen emergency withdrawals as it relates to a participant's account status in its system. ING Representative stated that if a participant takes an unforeseen emergency withdrawal, the status remains active.

Chair Reed asked Clifton Gunderson why they would make the participant inactive for a partial withdrawal. The Representative stated that they are concerned with a participant's status in the system being incorrect and not updated properly. The Representative noted that access to inactive accounts should be limited to prevent improper activity. Discussion ensued.

Chair Reed noted the audit stated the Hartford is not reconciling the beginning net assets from the fiscal year to the prior fiscal year ending net assets and questioned if this has been corrected. Hartford Representative stated this was an issue in the first audit (fiscal year 2009) but has since been corrected for the fiscal year 2010 audit.

Chair Reed referred to Attachment B, page 12 (See [Exhibit A-9iii](#).) under the heading custodial credit risk and questioned Clifton Gunderson's reasoning for stating the investments of the Plan are not exposed to custodial credit risk. The Clifton Gunderson Representative noted custodial credit risk is defined in the document and is based on Governmental Accounting Standards Board (GASB) account standard definitions. The Representative stated the issue relates to how the assets are structured in the Hartford General Account and if Hartford becomes insolvent and fails as an institution the question is would Nevada assets be part of the bankruptcy proceedings and result in a potential loss for participants. The Representative noted that the Hartford representatives have indicated they do not feel the Nevada assets would be Hartford assets and would, therefore, not be subject to bankruptcy or insolvency proceedings.

Chair Reed requested Staff work with Clifton to further clarify and resolve the issues related to whether or not the investments in the Plan are exposed to custodial credit risk.

Motion made by Mr. MacKay to approve the Clifton Gunderson Financial Audit Report and Statements and direct Staff to begin the process of resolution on the necessary items, seconded by Mr. Davie. Motion passed unanimously.

B. Investment Consultant Request for Proposal (RFP) Draft* ([Audio: 3:42 PM](#))

Staff presented a draft RFP for the upcoming investment consultant bid. (Please see [Exhibit A-4, Page 23](#), [Exhibit A-10](#), [Exhibit A-10i](#), [Exhibit A-10j](#), and [Exhibit A-10iii](#))

Mr. MacKay inquired with Staff regarding the timing of placing the announcement in Pensions and Investments magazine. Staff noted it will need to inquire about the length of time the announcement will run and also noted the information will be available online.

Chair Reed stated he previously asked Staff if the monies for the announcement were available and Staff did confirm the monies are available in the current budget.

Deputy Attorney General Ms. Cameron Vandenberg requested Members review Attachment A on page 2. She noted the significance of the provision and stressed the importance that all parties, including providers and proposers comply. She stated the provision is meant to ensure proposers are not disqualified in the bid process. (See [Exhibit A-10i](#))

Motion made by Mr. Davie to approve the Investment Consultant Request for Proposal as submitted, seconded by Ms. Comeaux. Motion passed unanimously.

C. Roth 457 Discussion* ([Audio: 3:46 PM](#))

Staff presented the Roth 457 report, including action steps and key recommendations. (Please see [Exhibit A-4, Pages 24-25](#) and [Exhibit A-11](#))

Mr. MacKay noted the workload seemed to be significant and inquired if Staff had concerns. Staff noted it will be fairly time consuming but anticipates the 6 month time frame will be sufficient.

Mr. Davie stated that the Committee can review the timeframe as Staff provides updates and change the effective date of the provision if more time is needed.

Motion made by Mr. Davie to adopt the Roth 457 feature effective January 1, 2012 and direct Staff to begin the necessary legal, regulatory and communication planning in preparation for this date with periodic updates provided to the Committee, as necessary, seconded by Mr. MacKay. Motion passed unanimously.

D. Executive Officer Annual Performance Review* ([Audio: 3:53 PM](#))

Staff presented the Executive Officer's annual performance review. (Please see [Exhibit A-4, Pages 26-27](#) and [Exhibit A-12](#))

Chair Reed thanked Staff for all of her hard work.

Ms. Comeaux noted that due to the fact she was a Member of the Committee prior to having an Executive Officer she can easily say the position has made a significant difference for Plan participants. She also stated that having someone such as the current Executive Officer that moves forward professionally and has knowledge and prior experience has been tremendously beneficial for Plan participants

Mr. Davie concurred with Ms. Comeaux and noted the amount of accomplishments over the past 12 months. He noted the amount of work accomplished by one person is impressive and thanked Staff for her efforts.

Chair Reed recognized the work of Ms. Jenny Potts and Deputy Attorney General Ms. Vandenberg for the Plan. He noted the work of these three individuals makes his job easier.

Motion made by Mr. Davie to approve the Executive Officer Annual Performance Review as submitted, seconded by Ms. Comeaux. Motion passed unanimously.

E. Provider Annual Performance Review* ([Audio: 4:01 PM](#))

Staff presented the provider annual performance review. (Please see [Exhibit A-4, Pages 28-30](#), [Exhibit A-13](#), [Exhibit A-13i](#), [Exhibit A-13ii](#), [Exhibit A-13iii](#), [Exhibit A-13iv](#), and [Exhibit A-13v](#))

Mr. Davie inquired regarding the implementation of the Hartford customized website. The Hartford Representative stated the website will be completed and available on March 25. The Representative also stated its legal department has approved and finalized the EZ Enrollment form. Hartford representatives anticipate the form will be implemented within 2-3 weeks following the Deputy Attorney General's approval.

F. Investment Consultant Annual Performance Review* ([Audio: 4:07 PM](#))

Staff presented the investment consultant review. (Please see [Exhibit A-4, Page 31](#) and [Exhibit A-14](#))

G. Administrative Manual Amendment, including discussion of current Ethics Policy* (Audio: 4:08 PM)

Staff presented the administrative manual review and the current ethics policy. (Please see [Exhibit A-15](#), [Exhibit A-15i](#), and [Exhibit A-15ii](#))

Mr. Davie commented that the Administration Manual was created prior to having staff and was the result of a compliance audit conducted several years ago. He noted in drafting the Manual

he looked to other states and agencies for best practices. He stated the current ethics policy was taken directly from statute, which limits the gift to \$25 and requires disclosure statements for any amounts over the limit. He noted the Governor's Executive Order regarding gifts most likely applies to three of the current Members and therefore, it is best practice to adopt the policy for the entire Committee. He opined that with the provider request for proposal process quickly approaching, this change will send a message to the providers and bidders that the Committee will no longer accept free meals. He also noted that due to the fact providers and bidders will no longer need to include an entertainment budget in the cost of the Plan, this should yield a savings for plan participants during the next contract period.

Motion made by Ms. Comeaux to approve the Administrative Manual as submitted, seconded by Mr. Davie. Motion passed unanimously.

H. Regular 457(b) Plan Document Amendment* ([Audio: 4:14 PM](#))

Staff presented the Regular 457 Plan Document amendments for the Committee's consideration. (Please see [Exhibit A-16](#) and [Exhibit A-16i](#))

Motion made by Mr. Davie to approve the Regular 457(b) plan document as submitted, seconded by Mr. MacKay. Motion passed unanimously.

I. Participant Survey Report ([Audio: 4:17 PM](#))

Staff presented the 2010 participant survey report. Staff noted that fewer participants answered the 2010 survey versus the prior year's survey. (Please see [Exhibit A-4, Pages 32-35](#))

Chair Reed asked Staff if those participants who enrolled using EZ enrollment were included in the survey. Staff indicated these participants would not have been included.

VI. RATIFICATION AGENDA* ([Audio: 4:22](#))

Motion made by Vice Chair Barnes to approve the Ratification Agenda items as submitted, seconded by Mr. MacKay. Motion passed unanimously. (Please see [Exhibit A-17.](#))

VII. REPORT SECTION ([Audio: 4:23 PM](#))

Staff noted the current budget information. (Please see [Exhibit A-18](#))

VIII. COMMENTS ([Audio: 4:24 PM](#))

A. Investment Consultant/Service Providers:

- ING Representative noted the due diligence investment reports created for the fourth quarter 2010 are currently available and will be sent to Committee members electronically. ING also noted as of the week of February 5 the record keeping system enhancement has been completed and ING representatives will provide a tutorial regarding the enhancements at a future Committee meeting. Chair Reed inquired as to the security regarding submitting the beneficiary form electronically and questioned whether ING requires a signature. ING stated that an electronic signature is required.
- Hartford Representative thanked Staff and the Committee to be able to partner and work together in 2010 and pleased to report it met all of its objectives in 2010. Hartford will continue to partner with Staff with regards to the Retirement Education Day and the Financial Education Day and other activities. Hartford also stated that the biweekly conference calls with Staff are extremely beneficial. Hartford will be moving forward with the EZ Enrollment form and on the customized website. Chair Reed asked Hartford if it requires signatures for a change in beneficiaries. Hartford indicated that it does require signatures.

- Mercer Representative thanked the Committee for the opportunity to work with together in 2010 and noted it was a good year for the markets which did serve to increase participants' account balances. The Representative noted its role is to be an extension of Staff, serve as an independent advisor to the Committee to help make timely and effective investment decisions and most importantly improve the retirement outlook for participants. The Representative noted Nevada is an important client to Mercer and her personally. Chair Reed thanked the representative for the work both her and Mercer have done for the Committee and the Plan. Mr. Davie noted an appreciation for Mercer in not only its hard work but its willingness to partner with Staff and the Committee. He noted an evolution in consulting services over the years in improved information being reported and evaluated by the Committee.

B. Deputy Attorney General had nothing to report.

C. Committee Members:

- Mr. Brian Davie commented on the participants who have only one investment option in the more aggressive funds. He asked the Committee if it would be willing to pursue sending correspondence to these persons to alert them of the concerns regarding risk. He stated it is the Committee fiduciary duty to assist in these type of matters.
- Chair Rex Reed stated that sending out memos which indicate a participant may be at risk is concerning. He indicated these decisions are better left to the participants; however, he did agree correspondence to these participants which encouraged a review of their account and potential benefits of diversification would be beneficial. Mr. Davie agreed with this concept and noted the memo will need to be carefully worded.
- Ms. Diane Comeaux cautioned against stating it's the Committee's fiduciary responsibility. She noted it's the Committee's fiduciary duty to ensure participants have a solid plan in which to make individual investment decision. She also stated that participants should not have the impression it is the Committee's fiduciary responsibility to ensure they make the correct investment decisions.
- Chair Reed thanked the Committee for electing him as Chairman and agreed with a one year rotation for the Chairmanship.

D. Staff noted it will provide the Committee with additional information regarding those participants with one investment option in the aggressive funds. Staff will place this item on the agenda for the June 9 meeting.

E. Public – No comments.

IX. ADJOURNMENT

The meeting was adjourned at 4:35 PM.

Respectfully Submitted:

Jenny Potts
Administrative Assistant

Approved by:

Tara Hagan
Executive Officer

LIST OF EXHIBITS

- Exhibit A: Staff booklet, Tab I-C, December 16, 2010 Meeting Minutes
- Exhibit Ai: Staff booklet, Tab I-C, November 18, 2010 Meeting Minutes
- Exhibit A-1: Staff booklet, Tab I-D, Meeting Dates
- Exhibit A-2: Staff booklet, Tab III-B, Hartford General Account Discussion
- Exhibit A-2j: Hartford Life Insurance Company as of Sept. 30, 2010
- Exhibit A-3: Staff booklet, Tab III-A, Stable Value Trends in the Retirement Industry
- Exhibit A-4: Staff Presentation, Pages 1-35
- Exhibit A-5: Staff booklet, Tab II-B, 2010 Service Provider Fee Reconciliation and Review
- Exhibit A-5i: Hartford Revenue Calculations
Exhibit A-5ii: ING Revenue Calculations
Exhibit A-5iii: Hartford's Calculations for 12/31/2010
Exhibit A-5iv: ING Overage Calculations.
Exhibit A-5v: ING Fund Expense and Revenue for NDC Plan as of 12/31/10
Exhibit A-5vi: 2010 Hartford Provider Questionnaire
Exhibit A-5vii: Fees for the Period Ending 12/31/2010
Exhibit A-5viii: 2010 ING Provider Questionnaire
- Exhibit A-6: Staff booklet, Tab III-C, International Equity Fund Search – Hartford Platform
- Exhibit A-7: Mercer Investment Report dated Fourth Quarter 2010 for period ending December 31, 2010, entitled *Performance Evaluation, State of Nevada*.
- Exhibit A-8: Staff booklet, Tab IV, 2011 Legislative Session
- Exhibit A-8j: NDC Senate Finance/Assembly Ways and Means Joint Subcommittee on General Gov.
Exhibit A-8ii: Governor's recommended budget for the Plan
Exhibit A-8iii: Office space layout
Exhibit A-8iv: Information on Automatic Enrollment
Exhibit A-8v: Resolution – Washoe County Deferred Compensation Committee
- Exhibit A-9: Staff booklet, Tab V-A, FY 2010 Financial Audit Report and Presentation
- Exhibit A-9j: Nevada Statement on Auditing Standards (SAS) Letters and Documentation, Part 1
Exhibit A-9ii: Nevada Statement of Auditing Standards (SAS) Letters and Documentation, Part 2
Exhibit A-9iii: Nevada Public Employees Deferred Compensation Plan Financial Statements
Exhibit A-9iv: Nevada FICA Alternative Deferred Compensation Plan Financial Statements
Exhibit A-9v: Service Providers Agreed Upon Procedures Letter of Findings
Exhibit A-9vi: Payroll Centers Agreed Upon Procedures Letter of Findings
- Exhibit A-10: Staff booklet, Tab V-B, Investment Consultant Request for Proposal (RFP) Draft
- Exhibit A-10j: Nevada Public Employees' Deferred Compensation Program Request for Proposal for Consulting Services
Exhibit A-10ii: Consultant RFP Contacts
Exhibit A-10iii: Nevada Deferred Compensation Program Consultant RFP Evaluation Guide
- Exhibit A-11: Staff booklet, Tab V-C, Roth 457 Discussion
- Exhibit A-12: Staff booklet, Tab V-D, 2010 Staff Performance Review
- Exhibit A-13: Staff booklet, Tab V-E, Provider Annual Performance Review
- Exhibit A-13j: Hartford Plan Activity Statistics
Exhibit A-13ij: ING Plan Activity Statistics

Exhibit A-13iii: Hartford 2010 Service Guarantee Assessment
Exhibit A-13iv: ING 2010 Service Guarantee Assessment
Exhibit A-13v: NDC 2011 Goals

Exhibit A-14: Staff booklet, Tab V-F, Investment Consultant Annual Performance Review

Exhibit A-15: Staff booklet, Tab V-G, Administrative Manual review and Update

Exhibit A-15i: NDC Program Administrative Manual, Pages 2, 7, 8, 11, 12
Exhibit A-15ij: Governors Ethics Requirements

Exhibit A-16: Staff booklet, Tab V-H, Regular 457 Plan Document Amendments

Exhibit A-16i: NDC Plan Document, Pages 4-6, 16, 18-20

Exhibit A-17: Staff booklet, Tab VI, Ethics Disclosure Reports

Exhibit A-18: Staff booklet, Tab VII, Report Section

Exhibit B: Hartford Quarterly handout

Exhibit C: ING Quarterly handout