

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**

Thursday June 9, 2011, 9:00 AM

Cameron Vandenberg
Deputy Attorney General

The 2011 second quarterly meeting of the Nevada Deferred Compensation Committee was held on Thursday, June 9, 2011, 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 Borne, Nationwide
Eric Caruso, Participant
Scott Craigie, Hartford
John (Jack) Crawford, Retired
Kent Ervin, UNR
Mike Fleiner, Bidart & Ross
Michael Hackett, Hartford
Tom Heseltine, Clifton Gunderson (by phone)
Annette James, Division of Insurance
Alan Kalt, Churchill County
Julie Klassen, Great-West
Eileen Kwei, Mercer
Michael McAtamney, TIAA-CREFF
Julie Miramonte, Nationwide
Jeff Morrow, Hartford
Chris Muha, ING
Steve Platt, ING
Todd Theroux, Hartford (by phone)
Robert Trenerry, Hartford
Tom Verducci, Hartford
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: [00:30](#))

The 2011 2nd quarterly meeting of the Deferred Compensation Committee was called to order by Chair Rex Reed at 9:00 am, June 9, 2011, in Room 2135 of the Legislative Building, 401 S. Carson St., Carson City, NV. Members Present: Vice Chair Jim Barnes, Mr. Brian Davie, Diane Comeaux, and Deputy Attorney General (DAG) Cameron Vandenberg. Mr. Andrew MacKay was to join via telephone later in the meeting.

B. Approval of the minutes of the meeting on April 27, 2011 and February 18, 2011* ([Audio: 1:20](#))

Motion made by Mr. Brian Davie to approve the minutes for the February 18, 2011 meeting, seconded by Vice Chair Jim Barnes. Motion passed unanimously.

Mr. Brian Davie stated that Dr. Carlos Romo's submitted testimony was incorporated in the meeting minutes in its entirety and the summation was meant to reduce redundancy. Mr. Davie noted he would like to include Dr. Romo's entire statement in the minutes which not only indicated Tara Hagan was a former employee of ING but also Dr. Romo's belief that all of the problems the Committee is having are due to this fact. ([Audio: 2:15](#))

Motion made by Mr. Davie to approve the amendment of the meeting minutes from the special meeting on April 27, 2011 with Dr. Romo's comments stating: Dr. Romo is a former member of the Nevada Deferred Compensation Committee and include his comments verbatim, seconded by Vice Chair Barnes to amend the changes. Motion passed unanimously.

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

C. Meeting Dates* ([Audio: 5:00](#))

Motion made by Vice Chair Barnes to approve the 2011 meeting dates, as submitted, seconded by Mr. Davie. Motion passed unanimously. (Please see [Exhibit A-1](#))

D. Discussion Regarding Procedures for Committee Member Communications ([Audio: 6:00](#))

Ms. Diane Comeaux stated that due to conversations with providers during the Legislative session she requested staff include this item on the agenda. Ms. Comeaux noted the purpose of the item is to discuss proper procedures for Committee members when contacted individually by Legislators, Governor's Office staff or other key personnel.

Staff noted the Program's statute (NRS 287.250) does not provide the Chair or other members with special abilities regarding the governance of the Program. Staff also stated the Nevada Board and Commission manual states best practice is to refer all inquiries under the purview of the Board to its staff. Staff noted the manual indicates this allows the information to be disseminated to the full Committee to ensure compliance with the open meeting law.

Mr. Davie commented that the Manual from the Attorney General's office is a good refresher for members, particularly the recommendation for members to ask questions to ensure they understand the issues being put forth to them.

(Please see [Exhibit A-2](#), [Exhibit A-2i](#), and [Exhibit A-3, Page 2](#))

Motion made by Ms. Diane Comeaux to amend the Administrative Manual to include a procedure which requires Members to direct all inquires within the purview of the Committee to NDC Staff for dissemination to the Committee as appropriate to ensure compliance with the Open Meeting Law, seconded by Mr. Davie. Motion passed unanimously.

II. PROGRAM REPORT

A. Plan Activity period beginning January 1, 2011 and ending March 31, 2011. ([Audio: 9:44](#))

Staff reported the Plan activity for period beginning January 1, 2011 and ending March 31, 2011. Staff noted the Plan's leakage statistics, particularly the 237% increase in assets being rolled out of the Plan. Staff recommended researching this item to determine who is leaving the Plan and why. Staff noted the state of Florida had a similar issue and began surveying those participants who left to better understand the reasons for the departures. (Please see [Exhibit A-3, Pages 3-11](#))

Mr. Davie asked Staff if the NAGDCA survey indicated why participation had decreased significantly from 29% in 2009 to 22% in 2010. Staff noted the survey did not provide any detail regarding the decline.

Chair Reed questioned if the information regarding performance of the Plan's investment options indicates fewer funds are rewarding participants for the risk in which they are taking since last quarter. Staff stated that is correct

B. Discussion Regarding Electronic Signatures. ([Audio: 19:35](#))

Staff discussed federal regulations regarding the use of electronic medium to provide participants in a retirement plan with applicable notices or the ability to make elections. (Please see [Exhibit A-4](#))

Chair Reed asked Staff if the information provided is stating that both providers are following standard Internal Revenue Service (IRS) requirements. Staff noted Chair Reed is correct.

C. Fee Disclosures on Certain Withdrawal Types* ([Audio: 21:33](#))

Staff discussed current service provider procedures and fees for withdrawals or distributions from the Plan. (Please see [Exhibit A-5](#))

Mr. Davie asked the providers why the fees between them vary greatly and what the assessed fees cover. The Hartford Representative noted that the fees are broken down into internal and external costs. Mr. Davie asked what the difference is between a wire transfer and an ACH. Staff noted that automated clearing house (ACH) is the batching of large amounts of monies which are sent to several accounts and a wire is sent in a single transaction directly to one individual account. The ING representative concurred with this information.

Chair Reed stated that he agreed with Staff's recommendation that when the Committee conducts the provider RFP it should consider fees on the various types of distributions to ensure they remain reasonable and are included in the contracts. He noted the desire to have Staff proceed with this issue as noted.

Ms. Comeaux stated that Staff recommended the Committee require providers to allow for ACH transactions for all types of distributions and it is her understanding providers are not charging for ACH transactions. Staff noted that both providers are not charging for ACH transactions.

D. Corporate Organizational Changes ([Audio: 30:44](#))

Staff noted the provider corporate changes which occurred during the quarter. Staff thanked Mr. Bill Abramowitz with his hard work and dedication to the State of Nevada Plan. (Please see [Exhibit A-6](#), [Exhibit A-6i](#), and [Exhibit A-6ii](#))

The Hartford Representative discussed the management reorganization. The Representative stated that the healthcare, education, and retirement markets were combined under the government market and renamed the tax-exempt market. The Representative added that Mr. Jeff Morrow will be leading the client care retention business and Mr. Abramowitz will be leading the consultant relations group. Mr. Abramowitz thanked the Chair and the Committee for working with him.

Hartford Representative Jeff Morrow discussed his history with Hartford.

Chair Reed stated it has been a pleasure working with Mr. Abramowitz and hopes to see him periodically at future meetings. Mr. Davie also thanked Mr. Abramowitz.

The ING Representative discussed the recent management changes. The Representative stated that Ms. Catherine Smith resigned her position as head of the retirement plans market and Mr. Rodney Martin is now the new Chief Executive Officer (CEO) of ING insurance operations. He also noted Mr. Rob Leary is no longer the CEO but is the Chief Operating Officer (COO) and will be splitting duties with Mr. Martin. The ING Representative stated as of June 1, 2011, Ms. Maliz Beams was hired as CEO of Retirement Operations, replacing Catherine Smith. The Representative noted the CEO and COO changes are the direct result of ING's impending initial public offering (IPO).

Mr. Davie asked the ING Representative if the senior management changes will have an impact on the philosophy or direction of ING and therefore directly affect the program. The ING Representative stated that these changes will not affect the Nevada plan in terms of ING's commitment; however, he did note possible upgrades to future technology capabilities.

Chair Reed stated that an initial public offering (IPO) is in progress and asked the ING Representative how the split in companies would affect the Plan. The Representative stated that the intent is to conduct a single IPO in the United States and separate one in Europe; therefore, he anticipates very few changes. Chair Reed questioned if the intent of the IPO to split off from the parent company and make it independent. ING Representative did indicate Chair Reed is correct in his assumption.

III. INVESTMENT REPORT

A. Discussion regarding Stable Value Investment Options. ([Audio: 44:00](#))

Staff stated the agenda item is a continuation of the stable value discussion at the February 2011 meeting. Staff noted the discussion will include a review of the National Association of Governmental Defined Contribution Administrators (NAGDCA) March 2010 stable value survey. (Please see [Exhibit A-3, Pages 12-17](#), [Exhibit A-7](#), and [Exhibit A-7i](#))

B. Discussion Regarding AB 540 and Possible Alternatives* ([Audio: 1:03](#))

Staff requested that this item be discussed upon Ms. Annette James arrival. Please note this agenda item was discussed after item III-D. (Please see [Exhibit A-10](#), [Exhibit A-10i](#), and [Exhibit A-10ii](#))

Staff noted Assembly Bill 74 (AB 74) was amended to include the coverage of unallocated insurance contracts by the Nevada Life and Health Insurance Guaranty Association (Guaranty Association) should an insurance company become insolvent. Staff stated AB 74 did pass the House and the Senate and is currently awaiting the Governor's signature. Staff noted the

desire to have the Division of Insurance representative discuss issues surrounding the mechanics of this provision.

Ms. James stated that sections of AB 74 incorporate the intent of AB 540 which was discussed by the Committee at the April meeting. Ms. James noted effective October 1, 2011 all unallocated contracts held by governmental retirement plans, such as 401(a), 403(b) and 457(b) will be covered by the Guaranty Association. She stated the coverage is limited to \$100,000 regardless of the number of contracts held by a participant with the same company. Ms. James noted an example of the total liability for the Guaranty Association would be a \$100,000 for a participant who has \$150,000 in an unallocated annuity with the State and \$100,000 with the Clark County, assuming both annuities were with the same company. ([Audio: 1:04](#))

Ms. James noted that new filing requirements will require the Insurance Commissioner to approve all unallocated annuity contracts before they can be marketed or sold in governmental plans. She also stated in order for the Guaranty Association to accept liability for the company that becomes insolvent, that policy will need to be approved by the Insurance Division. She noted the Division of Insurance is currently developing guidelines for insurance companies regarding unallocated annuities. ([Audio: 1:08](#))

Chair Reed asked Ms. James which contracts needed to be signed. Ms. James stated the contracts are the unallocated annuity contracts, which for the State plan would include the Hartford's contracts.

Mr. Davie asked Ms. James if this bill affects the retirement plans offered by the Nevada System of Higher Education (NSHE). Ms. James stated if the plans have unallocated contracts, they would now be covered; however, if the contracts are allocated they are already covered. Mr. Davie questioned if Ms. James knew the amount of increased liability to the State as this was not vetted during Session. He noted he was pleased with the Deferred Compensation Committee's decision to drill down more in regards to the affects of the bill and thought the Committee's decision to remain neutral was appropriate. He stated Mr. MacKay stated it best, by noting the issue was a policy decision and therefore should be determined by the Legislature. Ms. James indicated she did not know the amount of increased liability and would need to discuss this issue with the Insurance Commissioner.

Mr. Davie stated that participants and the Committee will need to know what happens should a company which provides an unallocated contract become insolvent. He noted participants will most likely have questions regarding the procedures and timeframes. Ms. James stated both the Division of Insurance and Guaranty Association would be able to help the Committee with these types of questions.

Staff inquired about changes in current provider contracts, specifically questioning the need to amend the current contracts and potential new procedures for the new contracts to be executed in 2012 for 2013. Ms. James stated that the provider contracts now in effect have not been approved by the Division of Insurance as the Division did not have the authority to regulate such contracts until the passage of AB 74. She noted the current contract will need to be filed with the Division of Insurance and approved for marketing and sale of the unallocated product.

Chair Reed noted the discussion raised questions that the Division of Insurance could abrogate current contracts rather than grandfathering them. Chair Reed asked Ms. James if the Plan may elect not to send the existing contracts to the Insurance Commissioner with the understanding that these types of options in the Plan would not be covered until the new contract period begins on January 1, 2013. Ms. James stated that she will need to look into these questions. Discussion on this item ensued.

Staff asked Ms. James if the Division has model language regarding Guaranty Association coverage that can be utilized and if Hartford will need to modify or change its enrollment packet to provide the necessary disclosure on this item. Ms. James stated that disclosures under the law are required to be given to the owners of the contract, which is the Plan. Ms. James also stated it may be prudent to provide similar disclosures to Plan participants. She noted the Division does have standard disclosure language which can be utilized.

Chair Reed stated that at the April 27, 2011 meeting the Division of Insurance representative stated that Guaranty Association coverage cannot be used as a marketing tool but if the Plan is required to notify employees in enrollment information this seems to be crossing the line. He noted this is an issue the Division of Insurance and the Commissioner will need to address. Ms. James stated that NRS 686.C390 prohibits the use of the Guaranty Association coverage to market a product. She stated the insurer may not use this coverage for marketing the product but the statute may not preclude the Plan from providing information to the participant. She noted the timing of disclosures whether it's during the initial entry into the Plan, prior to entry, or after, is a decision for the Committee. Ms. James noted the coverage does have limitations which may be necessary to disclose to participants.

Mr. Davie noted that prior to the passing of this section of AB 74, the Division of Insurance was focused on insurance policies and inquired if the issues we are discussing are related to the fact that the product in the plan is an investment option and not insurance. Ms. James stated that this does complicate the issue but noted several states have expanded coverage to unallocated annuities under Guaranty Associations. Ms. James noted 26 states allow coverage for unallocated annuities to all groups (corporate and governmental) and Oregon is similar to Nevada in that it only covers governmental contracts. Ms. James noted regulating these types of contracts is difficult because they are not insurance products but rather investment options held by in an insurance company's general account.

Mr. Davie asked Ms. James if Mr. Roggensack with the Guaranty Association is the correct person to address the Committee to provide details regarding procedures and timeframes, should a company become insolvent. Mr. Davie noted it is important participants understand the issues. Ms. James stated that Mr. Roggensack as the Director of Guaranty Association is the correct contact.

Chair Reed asked Staff to include an agenda at the August meeting regarding this item and requested Ms. James attend the meeting as well. Chair Reed also recommended the Committee Members provide questions on this issue to Staff prior to the August meeting.

Ms. Comeaux asked Staff if it is possible to contact the other 26 states noted by Ms. James for information on their notification process to participants. Staff will follow up with Ms. Comeaux's request.

C. Discussion Regarding Participant Asset Allocation Letter* ([Audio: 54:55 and 3:45](#))

Staff discussed the participant asset allocation letter project. (Please see [Exhibit A-8](#) and [Exhibit A-8i](#))

Chair Rex Reed requested the Committee postpone this agenda item until Mr. Andy MacKay is able to participate. This agenda item was discussed after agenda item V-G.

Chair Reed suggested removal of the last sentence in the first paragraph which states "By taking on this level of risk in your NDC account, you may run the danger of not having enough money when you need it in retirement".

Mr. Andy MacKay asked why Chair Reed is requesting this sentence be removed. Chair Reed noted his concern that the sentence may be interpreted as a recommended action for participants. Chair Reed stated that he wants a letter that presents information to be reviewed and have the participant decide if any action should be taken on their accounts as a result of the information provided.

Chair Reed requested the first sentence in the paragraph labeled "Risk Tolerance" be changed to read "Risk tolerance is your willingness to hold riskier assets in hope of earning greater returns".

Motion made by Chair Reed to direct Staff to send the asset allocation letter as amended to participants who currently have 100% of their accounts invested in the small/mid equity funds, seconded by Mr. Andy MacKay. Motion passed unanimously.

D. Review *Statement of Investment Policy** ([Audio: 56:50](#))

Staff noted pursuant to policy, the Statement of Investment Policy (SIP) is reviewed annually. Staff noted that Mr. MacKay provided editing changes to Staff prior to the meeting which will be incorporated in the final document.

Vice Chair Barnes requested the Committee table this agenda item until the August meeting due to a possible change in the Plan's investment consultant. He noted this would provide a new consultant the opportunity to review the Plan's SIP.

Motion made by Vice Chair Barnes to table this agenda item until the August meeting, no second. Motion dies.

Chair Reed commented on a sentence on page 8 of the document which reads "provide necessary disclosure of underlying portfolio holdings, performance and fees to ensure proper risk assessment, performance and fee evaluation" and his desire to ensure we have the necessary information to evaluate all offerings in the Plan. Chair Reed also stated if the motion passes, he would like to meet with Staff and Mercer to ensure the Committee is complying with this requirement. He requested Staff place an item on the August agenda to report the findings. Chair Reed would also like to meet with Ms. Cameron Vandenberg prior to the meeting to ensure these meetings comply with the Open Meeting Law.

Ms. Comeaux asked Staff if this is in the existing policy. Staff stated Ms. Comeaux is correct.

Mr. Davie stated that the Committee has struggled with this issue regarding the Hartford General Account for the past few years and he is in full support of Chair Reed's recommendations.

Chair Reed stated that Hartford has been very cooperative in supplying the additional disclosure information to the Committee.

Motion made by Mr. Davie to approve the Statement of Investment Policy as submitted or amended, seconded by Ms. Comeaux. Motion passed with 3 in favor, 1 opposed with Vice Chair Jim Barnes in opposition.

E. Investment Offering Review presentation by Mercer and Staff ([Audio: 1:37](#))

Mercer Representative presented the quarterly investment performance review of the Deferred Compensation Program investment options for the period ending March 31, 2011. (Please see [Exhibit A-11, Pages 5-20, 46-54, 73-75, 111](#))

Chair Reed commented that the report seems to suggest growth is not keeping up with consumer prices. He noted this would imply inflation is on the rise which may be an important issue for participants. The Mercer Representative stated that inflation may be a significant concern over the long term. The Representative noted defined contribution plans are beginning to seek investment options which assist their participants in hedging inflation. The Representative noted the trend is moving away from pure Treasury Inflation Protected-Securities (TIPS) funds into more diversified options which in addition to TIPS also invest in commodities, natural resources and possibly global REITs (Real Estate Investment Trust). The Representative welcomed the opportunity to provide additional information on this issue at a future meeting.

Mr. Davie requested a definition for the term convertible. The Representative stated that convertibles are bonds which have an option to convert into shares of common stock.

Mr. Davie questioned the continued performance concerns with the Lazard U.S. Mid-Cap Equity fund and noted its length of time on the Committee's Watch List. He questioned if another fund on the ING platform was similar in style to the Lazard U.S. Mid-Cap Equity fund, which would allow for possible consolidation. The Mercer Representative stated that there are several ways to tackle the issue; noting the Committee could look at the bigger picture and review the entire line-up of funds with the small/mid category. The Representative indicated it could conduct a search for a replacement fund, revisit the Lazard fund and the other funds on the Committee Watch List in this category, or look at the entire line-up in this category for possible consolidation.

Mr. Davie also asked Mercer Representative if it is possible to combine the Lazard U.S. Mid-Cap Equity fund into the Columbia Mid-Cap Value Opportunity fund. The Representative stated that Lazard is a mid-cap core fund and the Committee must be careful in consolidating and mapping assets to similar funds. The Representative noted the Committee wants to ensure coverage in the appropriate areas while still consolidating the Plan for simplification to participants. Mr. Davie mentioned that Columbia MidCap is a value fund and stated that the Plan already has two similar funds in the same category and company. Mercer Representative stated it will work with Staff and provide additional information at a future meeting.

Chair Reed asked Staff to put this item on the August agenda. Chair Reed also requested in the meantime, for Mercer and Staff to come back to the Committee after doing the research with several proposals and the Committee will determine what action to take with regards to the Lazard U.S. Mid-Cap Equity fund.

Staff noted changes with the actively managed fixed income team at SSgA and stated since the Plan utilizes a passively managed fund with the firm that the changes may not impact Nevada. Mercer Representative stated that the SSgA had personnel changes to the fixed income platform pertaining to the actively managed part of the team which do not impact the management of any passively implemented strategies in the Plan.

Chair Reed asked the Mercer Representative if the firm conducts a search for a replacement fund for the current Lazard U.S. Mid-Cap Equity fund, if the cost is covered under the current retainer fee or if it would be an additional fee. Chair Reed also wondered how this expense would be budgeted. Staff noted the amount would come from the Plan's reserves and the potential cost will be included in Staff's presentation at the August meeting.

Mercer Representative updated the Committee regarding the firm's recent acquisitions. ([Audio: 2:13](#))

F. Fund Watch List Approval ([Audio: 2:17](#))

(Please see [Exhibit A-3, Page 19](#) and [Exhibit A-11, Pages 17-20](#))

▪ Invesco Van Kampen Equity & Income	Remain on Watch
▪ American Funds Growth Fund of America	Remain on Watch
▪ Hartford Mid Cap	Remain on Watch
▪ Lazard U.S. Mid Cap Equity Income	Remain on Watch
▪ Munder Mid Cap Growth Fund	Remain on Watch
▪ Oppenheimer Main Street Small-Mid Cap	Remain on Watch
▪ Keeley Small Cap Value Fund	Remain on Watch
▪ Mutual Global Discovery	Remain on Watch

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

Mr. Davie commented that even though a fund is on the Committee Watch List, it does not mean it is performing poorly. He explained that the Committee's investment policy requires

funds to be placed on the Watch List for a variety of reasons, such as manager changes or corporate changes and not simply due to poor performance.

IV. 2011 LEGISLATION

A. Discussion Regarding Biennium Budget 2012-2013* ([Audio: 2:19](#))

Staff noted that this item was placed on the agenda at the request of the Committee Members. Staff stated the purpose of the agenda item is to review the upcoming biennium budget. (Please see [Exhibit A-12](#) and [Exhibit A-12i](#))

Mr. Davie stated it was his understanding an effort was made during the 2011 session to increase the budget to provide out-of-state travel for the NAGDCA Conference and this agenda item is a result of these discussions. Mr. Davie noted the Committee set its priorities during the fall of last year as a result of the Governor's letter which requested the Plan reduce its expenditures. He also indicated that if any money is restored, it needs to be on a priority basis which may not include out-of-state travel as a top priority. Mr. Davie stated that printing and postage costs should be reinstated first and then in-state travel for the Executive Office to travel for participant meetings in the rural areas and Las Vegas. Mr. Davie also noted his preference to first fund the Executive Officer's attendance at NAGDCA prior to sending any Committee members. Mr. Davie stated that the NAGDCA conference materials are available online after the meeting and provide an excellent resource to the Committee. Mr. Davie noted that many agencies, including the Legislative Commission which met last week, are not reimbursing employees or Legislators for out-of-state travel and cautioned the Committee to be thoughtful in its decision to reinstate these funds.

V. ADMINISTRATION

A. Investment Consultant Request for Proposal (RFP) – Determine Finalists* ([Audio: 2:25](#))

Staff presented a summary of the consultant RFP process to date and provided the Committee with recommended actions. (Please see [Exhibit A-3, Pages 20-21](#), [Exhibit A-13](#) and [Exhibit A-13i](#))

Ms. Comeaux asked all Members if they scored the firms and agreed with Staff's recommendations.

Mr. Davie noted that he did score the firms and recalls doing the same procedure a few years ago. He noted the timeframe was more compressed and the Committee designated a sub-Committee to ensure the contract deadline was met. He noted he did not review Staff's overview but rather independently reviewed all bids even those that were not qualified. As a member of the prior sub-Committee, he continues to be disappointed that the bidders do not take the time to better understand the Nevada plan and provide more specific detail in the bids. He noted the Plan has an impressive amount of information available on its website and a company could have a tremendous advantage by reviewing the site and providing more Nevada specific information. He stated he was disappointed the firms weren't more specific in recommendations regarding the Plan's investment statement policy. He noted the bids had a wide range of fee responses which indicated to him the current fees are reasonable and agreed with Staff that the Committee should consider renegotiating Mercer's contract. He stated this decision is due to the fact the Committee has not had issues with Mercer's performance and although there was a staff change, the new staff has been very responsive. Mr. Davie noted his scoring placed Mercer and Arnerich Massena in the top two. He also stated he scored the two non-qualified firms for a check and noted the three firms scored lowest of the group.

Vice Chair Barnes requested a motion to invite the top two firms to present at the August meeting and the Committee will determine a best and final firm.

Motion made by Vice Chair Barnes to have Mercer and Arnerich Massena present at the August meeting rather than attempt to renegotiate with Mercer. No second. Motion dies.

Ms. Comeaux noted that the scoring percentages were set prior to the release of the RFP; however, she was surprised by some of the weightings. She noted RFP preparation was a large part of firm's process yet the Committee didn't score on this area. She also noted that fees were weighted at 10% and to have a presentation solely based on fees seems counterproductive. She recommended the firms present on fees in conjunction with the services they will provide. Ms. Comeaux stated she had three firms in the top which included Hewitt EnnisKnupp, Mercer, and Arnerich and Massena.

Staff noted it also scored Hewitt EnnisKnupp in the top three but was concerned about the fees being higher than the current contract costs. Ms. Comeaux noted that Mercer's costs were nearly identical to Hewitt EnnisKnupp. Staff noted Ms. Comeaux is correct and Staff's recommendation was to renegotiate under the current contract with Mercer in an attempt to reduce the fees. Ms. Comeaux stated that this is not what the proposal is indicating and the Plan should provide Hewitt EnnisKnupp with the same ability to negotiate fees. Staff indicated Ms. Comeaux was correct.

Chair Reed stated that he agreed with Staff's recommendations and noted that Arnerich Messena and Mercer scored the highest. He would like to move forward with Staff's recommendations.

Vice Chair Barnes scored Arnerich Massena the highest, Hewitt EnnisKnupp second and Bidart & Ross as third. Vice Chair Barnes noted that he chose Bidart & Ross because it is a local firm and the fees were very competitive. He also noted that he believes the fees should weigh more than the 10% of the scoring, maybe closer to 30%.

Ms. Comeaux noted Purchasing requirements do not allow percentages to be changed once set. Ms. Comeaux stated the procedure should be to request Staff compile all the scores and provide the averages to the Committee. Staff noted that it will compile the results and provide the results to the Committee within the week and determine the finalists who will be presenting at the August meeting.

Participant Ms. Mary Keating noted she was not commenting on the vendors but did note concerns with the process. She noted she has done dozens of RFPs through Purchasing and not had any issues but understands the Plan may not have a statutory requirement to use Purchasing. She noted the Purchasing process is set and they have been sued many times and have not had any issues because they have followed the same procedures. She stated it seems everyone on the Committee is doing the process differently and she is concerned there wasn't any consistency. She stated that she reviewed the Plan's administrative policies on RFPs and could not find any rules or regulations. She is concerned that by the Plan not utilizing Purchasing guidelines it does not have the protection against legal action. She believes that the Legislature spent many hearings on public purchasing and noted that although it (Plan funds) isn't tax payer's money, it is co-workers money and the Committee should conduct its due diligence appropriately. Ms. Keating questioned if the process was fair to the vendors. She stated she has no confidence in what the Committee has done. ([Audio 2:36](#))

Chair Reed asked Staff if it contacted Purchasing. Staff noted that it did contact Purchasing in the past and utilized their best practices.

Ms. Comeaux stated that she did use the Purchasing process, scored each vendor and included a summary. She stated she would be happy to leave the score sheets and summaries with Staff.

Chair Reed asked if the Committee should establish a policy which could be drafted and presented at the August meeting. Staff asked Chair Reed if this policy would be for the process of scoring the bids or for the process of the RFP. Chair Reed stated that Ms. Keating wants a full policy established which would need to be written and approved.

Ms. Keating stated the Committee's procedures regarding contracts is not established in its policies. She stated that if the Committee chooses not to use Purchasing it does need to establish a process.

Ms. Comeaux asked Staff if the Plan complied with the State Administrative Manual (SAM) which clearly states the process. Staff noted that this is correct. Ms. Keating stated that the Committee didn't utilize Purchasing for the RFP. Ms. Keating also stated that SAM applies to public money and this is not public money.

Ms. Comeaux stated the Plan may not be required to comply with SAM but the Plan did comply with the requirements in SAM. Staff noted that this is correct.

Mr. Davie stated that the only difference between this procedure and the RFP conducted 3 years ago is that a sub-committee was used in the previous RFP due to compressed timeframes. He noted during this procedure the full Committee conducted the review during the meetings. He states he does not take issue with members reviewing the items differently, as each member is an individual and utilizes their own judgment.

Deputy Attorney General Cameron Vandenberg stated the Committee does have procedures in place for selection of these types of providers and administrators in the Nevada Administrative Code (NAC), Sections 287.710 through 287.735. Ms. Vandenberg also noted there are no specific provisions in the Code to indicate an exemption from Nevada Revised Statute (NRS) 333. She stated the Code does outline the procedures the Committee follows, including whether to appoint a sub-committee which is not required. Ms. Vandenberg noted it was her understanding Staff, under the direction of the Committee has followed the provisions in NAC and Staff did consult Purchasing staff on a few items in which Ms. Vandenberg was copied.

Motion made by Ms. Comeaux to provide the score sheets to Staff to determine the averages and the top two or three firms. Motion passed with 3 in favor and Mr. Barnes in opposition.

B. Fiscal Year 2010 Financial Audit (Financial Audit Restatement)* ([Audio: 2:46](#))

Staff presented the financial audit restatement. (Please see [Exhibit A-14](#), [Exhibit A-14i](#), and [Exhibit A-14ii](#))

Mr. Tom Heseltine with Clifton provided the research the firm conducted regarding the Hartford General Account, specifically how the investments are structured in the guaranteed investment contract. The Representative noted the firm did determine the Plan is subject to custodial risk as a result of the Hartford General Account. Clifton Representative also noted that it modified the financial statement to reflect this and reissued the financial statements to correct this fact. ([Audio 2:47](#))

Chair Reed noted the changes found on page 12 of the handout and asked Staff if these changes were correct. Staff noted that the changes were correct.

Motion made by Mr. Davie to approve the Clifton Gunderson Financial Audit Report restatement, seconded by Ms. Comeaux. Motion passed unanimously.

C. Fiscal Year 2010 Financial Audit Resolutions* ([Audio: 2:49](#))

Staff presented the fiscal year 2010 audit resolution report. (See [Exhibit A-15](#), [Exhibit A-15i](#), and [Exhibit A-15ii](#))

Motion made by Vice Chair Barnes to approve Staff's resolution report as submitted or amended, seconded by Mr. Davie. Motion passed unanimously.

D. Communication Plan Update ([Audio: 2:50](#))

Staff provided an update regarding its recent participant and employee communications. Staff thanked Ms. Jenny Potts for her work in processing the new enrollments and assistance with the increased number of walk-ins and phone calls. Staff noted a spike in the number of enrollments from April 1 through June 6, 2011, with 366 new enrollments. Staff attributed the increase to the new easy enrollment form which simplifies the process for employees. (Please see [Exhibit A-3, Pages 22-24](#), [Exhibit A-16](#), [Exhibit A-16j](#), [Exhibit A-16ii](#), [Exhibit A-16iii](#), [Exhibit A-16iv](#), [Exhibit A-16v](#), [Exhibit A-16vi](#), and [Exhibit A-16vii](#))

The Hartford Representative updated the Committee regarding its communication and marketing projects over the past few months. The Representative stated it has sent three mailers. The Representative noted the first mailer was the easy enrollment mailer which was sent to all participants, the second mailer was a paycheck increase mailer sent out to all individuals, including those participants who had stopped their contributions. The Representative noted the third mailer was information on rolling over assets into NDC. The Hartford Representative thanked the Hartford staff in Southern and Northern Nevada. The Representative stated Hartford utilizes NDC and its logo in all marketing pieces. Hartford thanked NDC Staff for its assistance with the new enrollments. The Representative noted Hartford conducts a new employee mailing each month. The Representative stated enrollments for Hartford have increased 75% year to date from 2009 and 20% since 2010 which is mainly attributable to the easy enrollment form. ([Audio: 2:54](#))

ING Representative discussed its marketing campaign. The Representative noted it has conducted three direct mail campaigns. The Representative stated one of the firm's mailing is conducted on a monthly basis. The Representative noted in January 2011, ING sent an account review mailing to existing ING participants and in March 2011, a mailing went to all employees (12,000 non ING participants) with an easy enrollment form. The ING Representative stated that generally the direct mailings result in a 1% response rate. The Representative noted that the all employee mailing had more of an impact than the usual 1%. The Representative discussed the success of the easy enrollment all employee mailing conducted in March. The Representative noted the success of NDC Staff's communication calendar and the providers' ability to coordinate messages and plan branding with NDC Staff. (Please see [Exhibit A-3, Pages 25-28.](#)) ([Audio: 3:04](#))

E. Roth 457 Update ([Audio: 3:11](#))

Staff provided an update regarding the activities and communication for the upcoming Roth 457 implementation. Staff noted additional information is now available on the website for participants, including an interactive calculator. Staff stated the next steps are legal issues and communication planning. (Please see [Exhibit A-3, Page 25](#))

F. ING Recordkeeping/Online Capability Upgrade – ING Representatives ([Audio: 3:14](#))

ING Representative discussed the upgrades with the technology at ING. (Please see [Exhibit A-17](#))

G. Hartford Field Representative Software Demo and Customized Website – Hartford Representatives ([Audio: 3:32](#))

Hartford Representatives discussed the track software and the customized website.

VI. RATIFICATION AGENDA* ([Audio: 3:48](#))

A. Ethics Disclosure Reports

Staff presented the ethics disclosure reports. (Please see [Exhibit A-18](#))

B. NAGDCA Leadership Award Submission

Staff indicated that the NAGDCA leadership information was submitted. Staff also noted the final document is included in the Committee's booklet. (Please see [Exhibit A-18i](#))

C. Invesco/AIM Settlement

Staff, in conjunction with the Hartford, completed a sizable settlement to participants previously invested in Invesco funds in the Plan. Staff noted over 200 people received a total of \$50,000 returned to them as settlement funds. (Please see [Exhibit A-18ii](#))

Chair Reed inquired regarding the Plan's de minimus policy. Staff noted participants due \$10 or less and are not eligible for the funds. Staff stated these amounts are then included into the total for the eligible participants' settlements.

Mr. Davie stated NDC policy requires ethics disclosure reports be submitted the next meeting following the receipt of the member's meal or gift. He stated one report was not submitted until almost one year later which is inconsistent with the Plan's policy.

Mr. Davie thanked Staff for the submission of the leadership award.

Mr. MacKay asked Staff if it knows when NAGDCA will get back to the Committee with the results. Staff estimated notification would be received by early September.

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

VII. REPORT SECTION ([Audio: 3:52](#))

Staff provided the current budget information. (Please see [Exhibit A-19](#))

Chair Reed inquired about a negative \$25,121.48 in the revenue portion of the report for Provider Service. Chair Reed asked Staff if we need authority through a work program. Staff stated the Plan did receive approval from Budget and the Controller's office under the file maintenance program for this revenue. Staff also noted the Administrative Services Divisions will complete a clean-up revenue work program at the end of the year which will include this revenue authority.

VIII. COMMENTS ([Audio: 3:54](#))

A. Investment Consultant/Service Providers: No comments

B. Deputy Attorney General had nothing to report.

C. Committee Members:

- Mr. Davie complimented Staff and the providers on the easy enrollment presentation. He noted a simple administrative change in a difficult economy can help drive new enrollments in the Plan and appreciates the direction in which the Plan is moving.
- Chair Reed stated for the August meeting agenda, he would like a line item for any proposed budget changes. He would also like a policy discussion on the Plan's established procedures for procuring contracts.

D. Staff noted that the consultant RFP scoring should be out within a week to the Committee members.

IX. Public Comments ([Audio: 3:58](#))

- Participant Mr. Kent Ervin stated he was pleased to see the addition of the Roth option for the Plan. He noted he would appreciate the Plan reviewing the restrictions on the contribution investment selection and beneficiary designation for Roth accounts. Mr. Ervin inquired about public meeting requirements and stated it is difficult to determine the items the Plan will discuss as the Board materials are not available prior to the meeting. He requested the meeting information be posted on the website prior to the meeting. Staff stated that the board materials are placed on the website following the meeting but will need to seek legal counsel assistance regarding public information and appropriate timelines. Ms. Vandenberg stated that NRS Chapter 241 should be reviewed to determine the appropriate actions for public information. She noted she and Staff will determine the correct course of action.
- Participant Mr. Eric Caruso requested the Committee consider adopting a loan provision for the Plan. He noted a loan provision would allow participants during difficult times to take loans from their accounts. He stated it is his belief that many participants would want to see this feature added and it could help increase participation in the Plan. Chair Reed noted action could not be taken today as the item was not agendaized under the Open Meeting Law and requested Staff provide background on the loan provision. Staff noted 457(b) plans are allowed under IRS regulations to have loan provisions; however, this Committee has made the decision not to allow loans. Chair Reed inquired if Mr. Caruso is requesting the Committee review this issue at a subsequent meeting. Mr. Caruso indicated that is correct. Mr. Davie stated that it may be time to revisit this issue and better understand what other state plans are allowing in regards to loans. Chair Reed asked Staff to add an agenda item for the next meeting regarding this issue. Mr. Davie stated that participants can submit statements to Staff or Members which can be discussed during the meeting. Staff noted that it had some discussions with participants and Staff informed participants that they can present in front of the Committee or submit an email to be presented to the Committee.

X. ADJOURNMENT

The meeting was adjourned at 1:17 PM.

Respectfully Submitted:

Jenny Potts
Administrative Assistant

Approved by:

Tara Hagan
Executive Officer

LIST OF EXHIBITS

- Exhibit A: Staff booklet, Tab I-B, February 18, 2011 Meeting Minutes
- Exhibit Ai: Staff booklet, Tab I-B, April 27, 2011 Meeting Minutes
- Exhibit A-1: Staff booklet, Tab I-C, Meeting Dates
- Exhibit A-2: Staff booklet, Tab I-D, Discussion Regarding Procedures for Committee Member Communications
- Exhibit A-2i: Nevada Board and Commission Manual
- Exhibit A-3: Staff Presentation, Pages 1-25
- Exhibit A-4: Staff booklet, Tab II-B, Discussion Regarding Electronic Signatures
- Exhibit A-5: Staff booklet, Tab II-C, Fee Disclosures on Certain Type of Withdrawals
- Exhibit A-6: Staff booklet, Tab II-D, Provider Corporate Changes
- Exhibit A-6i: Hartford soliciting offers for its mutual fund business article
- Exhibit A-6ii: ING Retirement Services CEO to lead Connecticut agency
- Exhibit A-7: Staff booklet, Tab III-A, Discussion Regarding Types of Stable Value Investment Options
- Exhibit A-7i: NAGDCA Defined Contribution Plan Stable Value Survey Report
- Exhibit A-8: Staff booklet, Tab III-C, Discussion Regarding Participant Asset Allocation Letter
- Exhibit A-8i: Participant Asset Allocation Letter
- Exhibit A-9: Staff booklet, Tab III-D, Statement of Investment Policy Review
- Exhibit A-9i: Statement of Investment Policy
- Exhibit A-10: Staff booklet, Tab III-B, Discussion Regarding AB 540 and Possible Alternatives
- Exhibit A-10i: The Hartford Performance Report
- Exhibit A-10ii: Bank of the West Insured Deposit Option Investment Option
- Exhibit A-11: Mercer Investment Report dated First Quarter 2011 for period ending March 31, 2011, entitled *Performance Evaluation, State of Nevada*.
- Exhibit A-12: Staff booklet, Tab IV-A, FY 12-13 Biennium Budget Discussion
- Exhibit A-12i: 2011-2013 Biennium Budget Summary
- Exhibit A-13: Staff booklet, Tab V-A, Consultant Request for Proposal (RFP) – Staff Recommendations
- Exhibit A-13i: 2011 Consultant Bid – Staff Recommendations
- Exhibit A-14: Staff booklet, Tab V-B, FY 2010 Financial Audit Restatement
- Exhibit A-14i: Response to the NDC Program Regarding Insurer's General Account and Group Variable Funding Agreement in Insolvency
- Exhibit A-14ii: Clifton Gunderson Financial Statements dated June 30, 2010 and 2009
- Exhibit A-15: Staff booklet, Tab V-C, Fiscal Year 2010 Audit Resolution Report
- Exhibit A-15i: The Hartford State of Nevada DC Plan & FICA Alternative Plans letter (1)
- Exhibit A-15ii: The Hartford State of Nevada DC Plan & FICA Alternative Plans letter (2)
- Exhibit A-16: Staff booklet, Tab V-D, Communication Plan Update

Exhibit A-16i: Hartford Enrollment information
Exhibit A-16ii: Hartford Saving for Retirement article
Exhibit A-16iii: Hartford Contribution Estimate information
Exhibit A-16iv: ING Vanguard Target Retirement Funds article
Exhibit A-16v: ING Mailer
Exhibit A-16vi: ING 5 Reasons to Start Today article
Exhibit A-16vii: ING "What's your Next Move for your future?" article

Exhibit A-17: ING booklet named Proactive Technology Solutions

Exhibit A-18: Staff booklet, Tab VI, Ethics Disclosure Reports

Exhibit A-18i: NAGDCA 2010 Leadership Recognition Award letter
Exhibit A-18ii: Invesco Fund Settlement letter to participant

Exhibit A-19: Staff booklet, Tab VII, Report Section

Exhibit B: Hartford Quarterly handout

Exhibit C: ING Quarterly handout