

Brian Sandoval  
Governor



Tara Hagan  
Executive Officer

**Nevada Public Employees'  
Deferred Compensation Program**  
100 N. Stewart Street, Suite 210  
Carson City, NV 89701  
775.684.3397 FAX 775.684.3399

**COMMITTEE**  
Rex Reed, Chair  
NDOC

Jim Barnes, Vice Chair  
RETIRED

Diane Comeaux  
DCFS

Brian Davie  
LCB

Andrew MacKay  
NTA

Cameron Vandenberg  
Deputy Attorney General

Action and Summary Minutes of the Special Meeting of the  
**DEFERRED COMPENSATION COMMITTEE**  
Nevada State Library  
100 N. Stewart Street, Board Room  
Carson City, Nevada 89701  
August 26, 2011

The Nevada Deferred Compensation Committee Special Meeting was held on Friday, August 26, 2011, at 1:00 p.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 and other substantive exhibits, is available on the Nevada Deferred Compensation (NDC) website at: [http://defcomp.state.nv.us/NDC\\_MinutesMeetings.htm](http://defcomp.state.nv.us/NDC_MinutesMeetings.htm).

**STAFF and ATTORNEY PRESENT:**

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

**OTHERS PRESENT:**

Bishop Bastien, ING (by phone)  
Jack Crawford, Retired  
Michael Hackett, Hartford  
Andrew Ness, Mercer (by phone)  
Steve Platt, ING (by phone)  
Bob Trenergy, Hartford (by video conference in Las Vegas)  
Tom Verducci, 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 (Exhibit A) 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: 00:01](#))

The Deferred Compensation Committee Special Meeting was called to order by Chair Mr. Rex Reed at 1:00 pm, August 26, 2011, in Room 2135 of the Legislature Building, 401 S. Carson St., Carson City, NV. Members Present: Chairman Rex Reed, Vice Chair Jim Barnes, Mr. Andrew MacKay, Ms. Diane Comeaux, and Mr. Brian Davie by video conference in Las Vegas.

### B. Public Comment – No comments

## II. ADMINISTRATION

### A. Investment Consultant Request for Proposals (RFP) – Discussion Regarding Committee Member Scoring and Awarding of Contract\* ([Audio: 00:03](#)) (Please see [Exhibit A](#))

Staff stated the Committee will review its initial scores which allowed them to arrive at the three finalists and provide rationale for the initial scoring. Staff noted the Committee will then utilize the firms' responses to the ad-hoc questions, information provided by the references and the finalists' presentations to change their initial scores. Staff stated this additional information allowed Members to ask questions and get a better understanding of the firm and its vision for the Plan.

Ms. Diane Comeaux discussed how she arrived at her initial scores for Arnerich Massena. She stated the RFP was not Nevada specific and that although the presentation materials were not Nevada specific, the verbal presentation demonstrated a good understanding of the Plan. She noted that the performance reports were readable and the overall presentation was relevant and organized. She noted concern with the limited amount of tenure the members have with the firm, including the lead, co-lead, and director. She stated that she found the co-lead interrupted the lead during the presentation, which was distracting. Ms. Comeaux stated Arnerich's presentation was the clearest of the three but she did note that the investment policy was not in the RFP, as indicated. She also stated that the fee schedule was the most competitive and she appreciated the firm's willingness to put half of the provider proposal fees at risk if the firm did not achieve a reduction in Participant fees. ([Audio: 00:05](#))

Vice Chair Jim Barnes discussed how he arrived at his initial scores for Arnerich Massena. He noted he agreed with Ms. Comeaux comments. He stated the materials were easy to read, the firm had great 457 plan experience, and the fee structure was straight forward. He noted the firm's overall proposal was the best. ([Audio 00:10](#))

Chair Rex Reed discussed how he arrived at his initial scores for Arnerich Massena. He stated the firm's presentation was very well done. He noted the firm's extensive Internal Revenue Service (IRS) experience, its focus on retirement plan industry, and its main office being located on the West coast were all positive attributes. He stated that pending litigation is always concerning and Arnerich noted it does not currently have any pending litigation. He noted that the firm's in-house plan manager and investment option database are important features due to the fact that investment selection and monitoring are key functions. He also stated that the fees were reasonable and he was impressed with the knowledge and presentation skills of the firm's representatives. ([Audio: 00:11](#))

Mr. MacKay discussed how he arrived at his initial scores for Arnerich Massena. Mr. MacKay stated that he had a slight concern that the firm's bid was not Nevada specific but noted this concern was not a fatal flaw. Mr. MacKay stated that fees were an important factor in his decision and he was impressed with Arnerich's pledge to lower participant fees during the provider RFP or risk losing half of its fee. Mr. MacKay noted he had the impression that the entire firm in Portland is at Committee's disposal and are willing to work with the Nevada

Plan. Mr. MacKay stated that the firm has great ideas for the future of the Plan which were demonstrated in its presentation; he also felt the representatives answered the Committee's questions completely and sincerely. ([Audio: 00:13](#))

Mr. Brian Davie discussed how he arrived at his initial scores for Arnerich Massena. He stated that he scored the firm the lowest among the Committee members, especially for overall RFP quality. He noted he was disappointed that the firm, along with many of the firms, did not take the time to review the Plan's website and include more Plan specific information. Mr. Davie did note that the RFP readability was good and he appreciated the simplicity of the color coding in the performance reports. He also stated that the firm has a good consultant to client ratio and excellent experience with similar governmental plans. Mr. Davie noted that the fees were impressive and he too appreciated the firm's willingness to put half of the provider RFP fees at risk. ([Audio: 00:17](#))

Mr. Davie discussed how he arrived at his initial scores for Hewitt Ennis Knupp. He stated that the RFP quality was very low due to it not containing Nevada specific information nor any indication of knowledge of the Plan. He noted concerns with the firm's two large acquisition and mergers in late 2010 which may have contributed to the significant employee turnover over the past few years. He stated the investment report consisted of several charts and graphs which caused concern regarding the information which would be presented during quarterly meetings. He also stated the consultant to client ratio of 1 consultant to 10 clients was higher than the other firms. He noted the compliance and regulatory information wasn't significant, especially considering the fees associated with this service. Mr. Davie noted the overall fees were high and the firm is quite large which has its advantages and disadvantages. ([Audio: 00:20](#))

Mr. MacKay discussed how he arrived at his initial scores for Hewitt Ennis Knupp. He stated that the firm's RFP was the most comprehensive and contained the most detail and case study work. He noted the consultant to client ratio is a concern. He questioned if the Nevada Plan will be lost in the shuffle because Hewitt consults with several plans with over \$1 billion in assets. He stated the fees were a major detractor as well. He noted his scores for both Mercer and Hewitt were similar. He stated that Hewitt was third on this list in terms of presentation finalists; he found it lacked organization and enthusiasm. ([Audio: 00:22](#))

Chairman Reed discussed how he arrived at his initial scores for Hewitt Ennis Knupp. He stated that he scored the firm the lowest of the three finalists during the initial scoring phase. He did note that the presentation was impressive, but he did get the impression that Hewitt representatives thought they had already lost. He stated that he appreciated the firm's validation of the Plan's two provider platform with multiple options and their willingness to maintain the same number of options. He noted that even though the firm's bid was not specific to the Nevada Plan, they do have Nevada experience working with the Public Employees Benefit Program (PEPB). He stated he was impressed with the firm's investment research team and proprietary database. ([Audio: 00:25](#))

Vice Chair Barnes discussed how he arrived at his initial Scores for Hewitt Ennis Knupp. Vice Chair Barnes agreed with Chair Reed's comments. He noted the firm's experience was impressive but the bid was a bit generic. He stated he too appreciated the firm's validation of the Plan's two provider platform with a large number of investment options. ([Audio: 00:28](#))

Ms. Comeaux discussed how she arrived with her initial scores for Hewitt Ennis Knupp. Ms. Comeaux agreed with many of the other Members' comments. She noted that of the three finalists' presentations, this firm's presentation was the hardest to follow but noted it did have some strong points. She stated the presentation was not Nevada specific but during the presentation it was obvious Hewitt did have knowledge of the Plan. Ms. Comeaux stated the firm does have strong research capabilities which are most likely driving the costs higher. Ms. Comeaux noted the firm has experience in compliance and regulatory services but noted a concern regarding its consultant to client ratio. ([Audio 00:29](#))

Chairman Reed discussed how he arrived at his initial scores for Mercer. He noted, as the incumbent, the firm obviously has a high level of knowledge regarding the Plan and that was

evident in its bid. He stated he is comfortable with Mercer; the firm is familiar with the Plan, has always provided requested information in a timely manner and works well with Staff. He also noted the quarterly information presentation by Ms. Kwei is excellent and provides both quantitative and qualitative information. He noted the firm has the depth of resources and substantial research capabilities to assist with the Plan's needs. He stated that Mercer has 15 years of experience with Plan operation audits and in working with them over the past years he is comfortable with the reports and information they provide. ([Audio: 00:30](#))

Mr. MacKay discussed how he arrived at his initial scores for Mercer. He stated that Mercer has done a tremendous job with the Plan, especially with the addition of Eileen Kwei. He noted that the firm's overall RFP was the most impressive since Mercer is familiar with Nevada Plan; however, he would have appreciated seeing even more Nevada specific information. He did note that if Mercer's fees were similar to Arnerich Massena's, Mercer would have been top on his list. He stated he was also impressed with Mercer's presentation and especially appreciated Mr. Ness's answer to his questions and concerns regarding a one provider structure. He noted Mr. Ness was prepared for the questions and made compelling points regarding the one provider structure. He also noted Mercer's pledge to reduce the Participant fees by 20% with a one provider structure was impressive and Ms. Kwei's vision of the Plan over the next 5 – 20 years was interesting and compelling. Mr. MacKay stated that Mercer has done a great job and served the Committee with distinction but indicated that fees were too high to overcome. ([Audit 00:33](#))

Mr. Davie discussed how he arrived at his initial scores for Mercer. He stated he scored Mercer very high due to its familiarity with the Plan and the Nevada specific information which was contained in the bid; however, he did note he expected the firm would have included more Nevada specific information. He stated he is impressed with the fact that firm has over 100 researchers, experience with large government clients, and a 1-7 consultant to client ratio. He noted he is also concerned with the fees and the large list of contract exceptions. He stated he too has appreciated working with Mercer; he noted his appreciation of the firm's willingness to make a change to the lead consultant rather than continue down a path that wasn't working. He noted Mr. Ness would have been a great asset to the Committee during the provider RFP. He stated Mr. Ness's knowledge and experience would have benefited the Committee and Plan participants. He stated that he too was concerned with the firm's fees being too high. ([Audio: 00:37](#))

Ms. Comeaux discussed how she arrived at her initial scores for Mercer. Ms. Comeaux stated that she was disappointed that the original RFP was not as Nevada specific as it should have been. She noted this may have been due to the fact that the Plan's RFP was made public upon receipt. She stated most RFPs are confidential until the contract is awarded. She noted firm's may have been reluctant to provide specific information due to this requirement. She did note that Mercer's presentation was Nevada specific. She noted that Mercer had significant tenure with the clients listed as references, strong research capabilities, and strong audit support. Ms. Comeaux stated that she too was concerned with the fees. She noted that the depth of the organization is both a plus and a deterrent as it seems to be driving the higher fees. Ms. Comeaux felt comfortable with Mr. Ness' knowledge and his ability to lead the Committee in a provider RFP, but was concerned about how strongly he pitched a single vendor without additional knowledge of the Plan and Participant demographic. ([Audio 00:40](#))

Vice Chair Barnes discussed how he arrived with his initial scores for Mercer. Vice Chair Barnes agreed with most of the comments. Vice Chair Barnes did indicate that the fees were a major detriment. Vice Chair Barnes did note that Mercer has done a great job for NDC. Vice Chair Barnes also stated that other vendors are offering the same service with lower fees. Vice Chair Barnes noted that he did not agree with the notion of going to a single vendor and reducing the number of investment options. ([Audio: 00:43](#))

Chair Reed requested to modify scores to Arnerich Massena. He noted he was most comfortable with Hewitt, as the firm affirmed the current two provider structure with a wider array of investment options. He stated Mercer and Arnerich Massena were in favor of a more

streamlined investment menu. He noted his belief that the Plan should have a variety of different types of investment options and disagrees with reducing the number of options. He noted he changed the scores for all three firms based on the information received during the presentations. He requested to change the *Overall RFP Quality* from 17 to 15 points, the *Investment Services* from 17 points to 13 points, and change the *Other* from 8 points to 6 points.

Ms. Comeaux requested to change the *Investment Services* score. She noted concerns with employee tenure and experience when reviewing the RFP; however, the firm demonstrated knowledge of the Plan and expertise during the presentation. She stated she is increasing the *Investment Services* to 15 from 12 points.

Vice Chair Barnes requested to change the *Fees* score for Arnerich Massena from 7 points to 10 points. He noted the fee structure is the best of the three and the firm should receive the highest score.

Mr. Davie requested to change the *Overall RFP Quality* score from 10 points to 14 points for Arnerich Massena which reflects the firm's responses to the two written questions. He noted the firm demonstrated knowledge of the Nevada Plan in response to the questions which wasn't reflected in the RFP. He stated his scores for any firm are not influenced by their recommendations regarding number of providers or investment options. He stated the firms are simply noting the trend in the industry and not necessarily stating it's the only option for Nevada. Mr. Davie also requested a change in the *Fees* score from 8 points to 10 points because the firm does have the best overall fee structure.

Mr. MacKay requested to change the *Fees* score for Arnerich Massena from 6 points to 9. He noted that when he rated the fees, every consultant received 6 points or lower. Mr. MacKay noted when he posed a question regarding potential changes in providers or number of providers, the firm stated it will provide assistance to the Committee with this change. Mr. MacKay wanted to change the *Overall RFP Quality* score from 17 points to 18 points because the firm did provide Nevada specific information in both the written questions and presentation. Mr. MacKay also requested a change in the *Investment Services* score from 18 points to 19 due to the firm's willingness to leverage its relationships to lower participant costs. He noted he is pleased that the firm is committed to lowering costs through the provider RFP whether it's with the existing providers or a new provider. He stated participant costs will go down as a result of this process.

Chair Reed requested to change Hewitt's score in *Overall Quality RFP* from 13 points to 16, the *Investment Services* score from 11 points to 18, and *Compliance and Regulatory Services* score from 16 points to 17.

Mr. MacKay requested to change Hewitt's *Investment Services* score from 18 points to 19 points. He stated he appreciated the firm's ability to 'think outside the box' in terms of investment options, such as reviewing bundled versus unbundled structures.

Mr. Davie stated that he made a change to Hewitt's score in *References* from 20 points to 10 points. He noted this change was due to the fact that when Staff checked references, one reference was less than favorable to Hewitt.

Mr. MacKay requested a change to Mercer's *Investment Services* score from 18 points to 19 and a change to *Overall RFP Quality* score from 17 points to 20. He noted he was impressed with the firm's presentation in terms of a strategic planning over 20 years for NDC, its Nevada specific information and Mr. Ness's information regarding his commitment to a single provider.

Chair Reed requested a change to Mercer's *Overall RFP Quality* score from 18 points to 16 points.

Mr. Davie questioned why Vice Chair Barnes gave Mercer a low overall score for the *Overall RFP Quality*. Vice Chair Barnes stated that he did not want to comment.

Staff noted Arnerich Massena's new score is 449, Hewitt's new score is 397, and Mercer's new score is 419.

**Motion made by Ms. Comeaux to direct Staff to work with Arnerich Massena to negotiate a 3-year contract with the possibility of a two year extension, including signature authority to execute the contract, seconded by Vice Chair Barnes. Motion passed unanimously.**

### III. COMMENTS/UPDATES

A. Investment Consultant/Services Providers – No Comments

B. Deputy Attorney General had nothing to comment

C. Committee Members ([Audio: 1:05](#))

- Chair Reed thanked Mercer for all of the work they have done for Nevada under the current contract. Chair Reed asked Staff what happens if the contracted consultant wants to go outside the budget. Staff noted that the consultant must adhere to the original fees stated in the bid. Staff stated if the consultant does not agree to this amount, Staff will need to move to the next firm.
- Mr. Davie thanked Chair Reed on how he handled the RFP process as it was the first for this Committee. He noted the process was organized and well structured and he appreciated the Chair working in conjunction with Staff.

D. Staff thanked the Committee for its hard work and dedication during the consultant RFP process and specifically thanked Ms. Comeaux for her assistance.

IV. Public Comments – No comments

The meeting was adjourned at approximately 2:10 PM.

Respectfully Submitted:

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Jenny Potts  
Administrative Assistant

Approved by:

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Tara Hagan  
Executive Officer

## **LIST OF EXHIBITS**

Exhibit A is the RFP scoring spreadsheet.