

Brian Sandoval
Governor



COMMITTEE

Rex Reed, Chair
NDOC

Jim Barnes, Vice Chair
RETIRED

Brian L. Davie
LCB

Andrew MacKay
NTA

Karen Oliver
GCB

Tara Hagan
Executive Officer

**Nevada Public Employees' Deferred
Compensation Program**

**DEFERRED COMPENSATION COMMITTEE
MEETING MINUTES FOR**

Thursday November 17, 2011, 9:00 AM

Cameron Vandenberg
Deputy Attorney General

The fourth quarterly meeting of the Nevada Deferred Compensation Committee was held on Thursday, November 17, 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, BOARD, and ATTORNEY PRESENT:

Tara Hagan, Executive Officer
Jenny Potts, Secretary
Rex Reed, Chair
Jim Barnes, Vice Chair
Brian Davie, Member (by videoconference)
Andrew MacKay, Member
Cameron Vandenberg, Deputy Attorney General

OTHERS PRESENT:

Bill Abramowicz, Hartford
Tim Allison, Tahoe Douglas
Lyra Ambrose, ING (by phone)
Bishop Bastien, ING
John Crawford, Retired
Michael Hackett, Hartford
Michael McAtamney, TIAA-CREFF
Brian Merrick, ING
Julie Miramontes, Nationwide
Kent Morris, Great West
Jeff Morrow, Hartford
Karen Oliver, Gaming Control Board
Steve Platt, ING
Jake O'Shaughnessy, Arnerich Massena (by phone)
Todd Theroux, Hartford (by phone)
Robert Trenerry, Hartford
Steve Watson, Hartford
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 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: 00:00:30](#))

The 4th quarterly meeting of 2011 of the Deferred Compensation Committee was called to order by Chair Rex Reed at 9:01 am, November 17, 2011, in Room 2135 of the Legislature Building, 401 S. Carson St., Carson City, NV. Members Present: Chair Rex Reed, Vice Chair Jim Barnes, Mr. Andrew MacKay, and Deputy Attorney General (DAG) Cameron Vandenberg. Mr. Brian Davie attended via video conference in Las Vegas. Ms. Diane Comeaux was excused from the meeting.

B. Public Comment ([Audio: 00:02](#)) – Chair Rex Reed thanked Mercer for all of their hard work.

C. Approval of the minutes for the meeting on August 18, 2011 and meeting on August 26, 2011.* ([Audio: 00:02](#))

Motion made by Vice Chair Jim Barnes to approve the August 18, 2011 and August 26, 2011 meeting minutes, seconded by Mr. Andy MacKay. Motion passed unanimously. (Please see [Exhibit A-1](#) and [Exhibit A-1i](#))

D. Meeting Dates ([Audio: 00:03](#))

Mr. Davie stated that the Planning Meeting is on Tuesday, December 13 and not Thursday, as noted.

Staff noted that the Committee will discuss changes in the 2012 meeting dates during a later agenda item. (Please see [Exhibit A-2](#))

Ms. Cameron Vandenberg noted that she is not available for the February 16th and May 17th meetings but will provide coverage.

Motion made by Vice Chair Barnes to accept the meeting dates with an exception to the June 21, 2012 meeting, seconded by Mr. Davie. Motion passed unanimously.

II. PROGRAM REPORT

A. Plan Activity period beginning July 1, 2011 and ending September 30, 2011. ([Audio: 00:07](#))

Staff reported the plan activity for period ending September 30, 2011. (Please see [Exhibit A-3, Pages 1-9](#))

Chair Reed asked Staff if the downturn in new enrollments is due to the saturation with the easy enrollment promotions in the second quarter of the year. He inquired as to the reasons for increases in monies rolling into the Plan and if the rollovers were coming from a specific participant group. Staff noted the need to further investigate this issue and provide the Committee with additional information at a later meeting.

Mr. Davie questioned the definition of a group meeting. He stated the quarterly provider materials noted group meetings with 0 people. Staff noted conversations with providers in the past and it's her understanding a 'group meeting' is defined as a meeting with 2 or more employees.

The ING Representative stated that it does not report group meeting locations to the Committee but does report the number of meetings in which the account representative has met with 2 or more employees and discussed NDC features and benefits.

The Hartford Representative stated that Hartford does provide group meeting location information to the Committee. Mr. Davie asked the Hartford Representative if Hartford has one person attend a group meeting shouldn't it be counted as a one-on-one meeting and not a group meeting. The Hartford Representative stated that it could be counted as both a group meeting and a one-on-one meeting.

Chair Reed indicated that he is concerned that the Hartford is double counting and that the Committee is not getting accurate statistics. Hartford Representative stated that it could be counted double if the Hartford conducts a presentation for one individual and then meets with that same person for a one-on-one meeting. Chair Reed stated that if the providers are conducting group meetings and only one person is attending it is nice to know because it indicates how effective the meetings are in reaching employees. Mr. Davie stated that he would like to see consistency in the quarterly reporting amongst the two providers.

Staff stated that it will work with the providers to ensure the information is consistent and provide the Committee with an update at the February meeting.

Mr. MacKay asked Staff what the quality investment option percentages were one-year ago on September 30, 2010. Staff indicated she will provide that information at a later date.

Chair Reed noted that he was pleased to see that both providers are above the goal for answering the majority of customer calls within 20 seconds.

B. Roth 457 Update ([Audio: 00:24](#))

Staff noted that both items II B and II C will be discussed together. Staff provided an update regarding communications, activities and preparations for the January 1, 2012 start of the Roth contributions. (Please see [Exhibit A-4](#))

Chair Reed asked Staff and the Providers if participants would have differences in expenses for the new Roth account versus the existing before-tax account. Staff noted the expenses should be the same but noted the Record-keepers can verify this information. Staff noted additional Plan features may increase the record-keeping costs and noted the Plan should be mindful of this for the future.

Mr. MacKay noted during the Financial Education Day meeting in Reno, an individual inquired about the Roth and that NDC Staff has received many inquiries from current participants and non participants interested in enrolling with the Roth feature. Staff agreed and noted the office currently has enrollment and contribution change forms pending for January.

C. Roth Communication Strategies – Hartford and ING ([Audio: 00:29](#))

The Hartford Representative provided information regarding a Nevada entity which began the Roth provision in July 2011. The Representative stated the entity's average age of a Roth participant is 46 years of age and the County noted three (3) percent of participants have enrolled in the Roth feature since its inception. The Representative stated Hartford is ready for participants to enroll with the Roth feature for NDC and its political subdivisions. The Representative also noted it has a Roth presentation which field representatives will be presenting throughout the State, along with other web-based presentations.

Staff asked the Hartford Representative if the three (3) percent enrolled in the Roth were new enrollments or existing participants switching in whole or in part to the Roth. The Representative stated that they did not have that detailed information readily available.

Mr. Davie asked the Hartford if it had learned any lessons from the five (5) months of experience with the Nevada entity which could assist NDC in the process for 2012. The Representative stated that they will be using the Roth presentation and with regards to learning, they will incorporate changes in the presentations. The Representative noted there are no additional costs to this feature.

The ING Representative stated that there will be no increase in administrative costs for the Roth account versus the pre-tax account. The Representative stated that ING misinformed the Committee and Staff regarding its ability to allocate participants' existing funds differently if they had pre-tax assets and post-tax assets. The Representative noted participants will be able to allocate pre-tax and post-tax assets differently. The Representative also stated ING is looking outside the box with regards to communications with the Roth 457 feature.

The ING Representative noted ING worked with Mr. Andrew MacKay in creating a video to help educate participants and employees regarding the Roth feature. The Representative noted it was a generic video which could be used by NDC staff and Hartford, in addition to ING.

Chair Reed asked the ING Representative if a participant who has money in the pre-tax account can roll the monies into the Roth feature and simply pay the taxes due. The Representative stated participants must have an Internal Revenue Service (IRS) triggering event, such as termination or retirement, prior to allowing the conversation or rollover.

D. Hartford Record Keeping System Conversion Update ([Audio: 00:41](#))

Staff noted Hartford's inability to record keep redemption fees is preventing NDC from expanding the international investment options lineup. Staff requested Hartford provide the Committee with an update on the record keeping conversion, including a timeline. (Please see [Exhibit A-5](#))

The Hartford Representative stated the migration to the new record-keeping system for governmental plans is scheduled for weekend of October 22, 2012; however this date is not set guaranteed. The Representative stated Hartford does not have complete control in regards to the timing of the migration as it utilizes DST, the firm that owns and operates the new system, and therefore, Hartford must coordinate the timely migration with DST. The Representative noted DST has other large insurers which are linking and planning migration to the DST system and Hartford will be monitoring these migrations.

Chair Reed asked the Hartford Representative if he understood correctly that the migration will not take place until (11) months from now, October 2012. The Representative stated that is correct.

The Hartford Representative stated that they explored an early migration for select clients. The Representative stated there may be some risk in accelerating the move of the migration.

Chair Reed asked Staff if we are locked into the current international fund options until the Hartford process is completed. Staff noted Chair Reed is correct.

Mr. Davie inquired as to the meaning of the DST acronym. The Hartford Representative did not have the answer. He stated DST or TRACK is a record keeping platform that is widely used in the retirement industry. Mr. Davie inquired if Hartford has other clients who are waiting on the changes too or if NDC is their only client expecting this change. The Representative stated that the migration remains specific to the tax exempt book of business.

Chair Reed asked why this change was not completed earlier. The Hartford Representative stated that it was an opportunity that had not been previously presented to them. Chair Reed asked Hartford if DST is a proprietary system that Hartford owns or if it is owned by a third-party. He noted if DST is a third-party company, he has concerns that the migration may not happen according to schedule because Hartford has less control over the timing. The

Representative stated DST is a third- party which Hartford contracts with and it does not own the company.

III. INVESTMENT REPORT

A. Discussion Regarding Investment Option Reduction and Eliminations in Small-Mid Investment Category for Plan ([Audio: 00:50](#))

Staff indicated that this item is pursuant to the August 18th meeting and a motion directing Staff and the consultant to further review the consolidation of funds in the small and mid cap space and provide the Committee with recommendations. Staff noted the anticipated outcomes of the consolidation are lower participant fees, increased diversification, improvement in the quality of the Plan's investment options, and enhancing participant understanding. (Please see [Exhibit A-3, Pages 10-16](#), [Exhibit A-6](#), [Exhibit A-6i](#), and [Exhibit A-6ii](#))

Arnerich Massena (AM) Representative spoke on behalf of the consolidation. The Representative stated the fees could be lowered through both consolidating assets and leveraging scale by pooling assets across the two providers. Staff indicated pooling the assets in this category is similar to the Plan's current use of the Vanguard funds on both providers' platforms which help lower fees on passively managed funds.

Staff made reference to an Arnerich Massena white paper which discussed how increasing the number of plan options creates a paralysis of choice and may lead to lower participation. Staff indicated a recent study found when participants are faced with greater investment options it drives the participants to invest more conservatively. Staff also noted the study found for every ten investment options added to a plan, the participation lowers by two (2) percent.

The AM Representative stated that behavioral finance is a growing area in academic research and is particularly acute. The Representative noted that individuals are making choices which have a great impact on their retirement outcome. The Representative stated that the general population is not equipped to make the necessary investment decisions and therefore tables the issue to enroll in the plan. The Representative noted that when a participant encounters a large amount of investment options, they get overwhelmed and often simply choose to do nothing. ([Audio: 00:58](#))

Staff noted current NDC participants are paying higher fees for funds in the small-mid category of funds than their peers. Staff stated this is due to the fact that the Plan currently has nine funds per provider platform in this category for both active and passive management which is not achieving the necessary economies of scale. Staff noted consolidation in these fund types would lower participant fees through consolidation of assets. Staff stated 60% of funds in this category have fees higher than our peers. Staff noted Participants are paying as much as 0.30% (30 basis points) to 0.32% (32 basis points) higher for similar funds which means less wealth accumulation for NDC plan participants.

The AM Representative stated that there are several different ways to gain asset class exposure. The AM Representative noted that at the end of the day, 80-90% of the outcome will be determined by which asset class the participant is invested in and therefore, providing participants with the appropriate allocation is most important and fund selection is the secondary.

Chair Reed asked the AM Representative if higher fund fees equate to higher returns in exchange. AM Representative stated that this is not always the case and that the correlation between fees and alpha (outperformance) is not strong. The Representative noted that Arnerich Massena would generally always make the case that lower fees are better.

Staff noted that with NDC having 67% of the funds in this category which are higher than peers and 70% of the Committee Watch List comprised of these funds, it would be difficult to make the case that the funds in the plan are generating higher returns than peers.

Chair Reed asked AM Representative at what point when you reduce the number of selections that the participant has available to them, do you go from allowing them to participate in the market to actually steering them in the market. The AM Representative noted that the Chair makes an excellent point; however, although a plan wants to provide ample diversification to participants it also must limit the potential for participants to misallocate their assets. The Representative stated that as a fiduciary, we will need to analyze the information available and make the best decision from a prudent investor's standpoint.

Chair Reed asked Staff in the memo on page 2 for some clarification. Staff noted that NDC participants are currently paying fees which in some cases are 0.30% (30 basis points) - 0.32% (32 basis points) higher than peers. Staff stated in an effort to show this as a dollar amount, an example was used. Staff noted the example assumed a 6% interest rate on a \$25,000 account balance invested over 30 years. Staff stated that 32 basis points in higher fees is the equivalent of \$15,234 less in a participant's account

Chair Reed asked Staff what the Table on page 4 is indicating. Staff noted the industry is trending toward small-mid funds rather than separate small and mid funds due to the overlap in holdings and style. Staff stated the recommendation is to conduct fund searches for a small-mid value, small-mid growth and small-mid passive fund which would remove the existing funds and consolidate the assets.

Staff provided examples of how reducing the number of positively correlated investment options would allow the Committee the potential to add additional funds which are less correlated. Staff noted this would provide participants with greater diversification in their asset allocation modeling. Staff noted the consolidation of funds would not reduce the asset allocation for participants as the investment options would still allow for all investment styles while reducing fund fees and added complications for participants.

The AM Representative stated another benefit of consolidating these investment options is greater fiduciary oversight for the Committee. The Representative noted the Committee would have fewer funds to monitor and ensure prudent fiduciary expertise which allows for a higher level of diligence and oversight in the Plan.

Mr. MacKay stated that the Plan will go from 16 options to 6 options and asked Staff if it plans on replacing those 10 options. Staff noted the goal would be to simplify the similar options in the Plan which would allow the Committee to add more diversified options, such as International Bond fund or Treasury Inflation-Protected Securities (TIPS) fund. ([Audio: 01:15](#))

The AM Representative stated that consolidation of funds will help participants build a solid foundation in which to create their portfolios. The Representative noted that streamlining the options allows participants to more easily craft retirement portfolios. The Representative noted an inflation option or international bond option should be presented or labeled in more generic terms in a way which is intuitive to an investor. The Representative noted the correct labeling can assist participants in building a strong foundation for retirement savings and encourage employees to participate because it is less complicated to the majority of participants.

Chair Reed asked the AM Representative if the Committee gives the participants a solid foundation to work from and the foundation collapses, who is to blame. The Representative stated that if you give the participant even the basic foundation, it could collapse as well. The Representative stated a fiduciary line is drawn in the current structure the same as the proposed consolidated structure and having fewer funds in which the Committee oversees can help mitigate a fiduciary collapse.

A motion made by Mr. Davie to direct Staff to work with Arnerich Massena to conduct three fund searches for the following asset categories: Actively Managed Small-Mid Value; Actively Managed Small-Mid Growth; Passively Managed Small-Mid Core. Staff and Arnerich Massena will present the findings at the February meeting including recommendations for consolidation, mapping and timing, seconded by Mr. MacKay. Motion passed 3-1, with Chair Reed in opposition.

Mr. Davie noted that the Committee has been dealing with this issue for years with funds that drift in style and increase in expenses. Mr. Davie thanked Staff, Mercer, and Arnerich Massena for their presentation and providing concrete examples in terms of better outcomes for participants, including lower expenses, higher quality investment options and reduction in complexities to investing.

B. Investment Offering Review presentation by Mercer and Staff ([Audio: 01:31](#))

The Mercer Representative presented the quarterly performance review of the Deferred Compensation Program investment options for the period ending September 30, 2011. (Please see [Exhibit A-7, Pages 5-24](#))

The Mercer Representative noted changes at Hartford Investment Management Company (HIMCO) with the departure of the Chief Investment Officer (CIO), Greg McGreevey. The Representative noted Hugh Whelan will be taking the role of interim CIO and stated Mr. Whelan has been with the firm for over 20 years as manager of the Hartford General Account. The Representative noted the departure of Mr. McGreevey in October was note worthy due to the fact he has been instrumental in de-risking the Hartford General Account of the past three years. The Reprehensive noted it's a significant development and recommends the Committee continue to monitor the final recommendations for a permanent CIO.

Staff noted Hartford conducted an 'investor meeting' via the web prior to McGreevey's departure which provided detailed information regarding the underlying holdings and performance of the Hartford General Account. Staff stated it discussed this issue with Arnerich Massena to ensure that the Committee, Staff and the new consultant continue to review the risks associated with the General Account and any information made available to the public regarding this issue is monitored and reported to the Committee.

The Arnerich Massena Representative indicated the firm has reviewed the due diligence previously provided and is committed to providing the same level of detail to the Committee regarding this investment option.

Chair Reed asked the Mercer Representative if there were any management changes to the American Funds Growth Fund of America. The Representative indicated no manager changes have occurred for this fund.

Mr. Davie asked Mercer if the American Funds Growth Fund of America is labeled appropriately due to the fact it invests nearly 20% of its holdings in international companies. The Mercer Representative stated that if the participants were to see this fund, they would not automatically link this fund with international investment exposure.

Mr. MacKay asked the Mercer Representative with regards to the Mutual Global Discovery Fund, if the recommendation to maintain the fund on the Committee Watch List is primarily due to the change in personnel, the amount of cash in the fund or a combination of both issues. The Representative stated the recommendation is based on a combination of both issues.

Chair Reed stated that all the material that Mercer provides for the Board is excellent and believes that this material would be of benefit to the participants. He asked if some of the material received in the future could be put on the NDC website. Staff noted all consultant materials are available on the NDC website.

Mr. Davie thanked Ms. Eileen Kwei for her presentations for Mercer.

C. Fund Watch List Approval ([Audio: 01:51](#))

(Please see [Exhibit A-3, Page 17](#) and [Exhibit A-7, Pages 21-24](#))

Hartford Mid Cap	Remain on Watch
American Funds Growth Fund of America	Remain on Watch

Lazard U.S. Mid Cap Equity Income	Remain on Watch
Oppenheimer Main Street Small-Mid 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 Vice Chair Barnes to approve the Committee Fund Watch List as submitted or amended, seconded by Chair Reed. Motion passed unanimously.

IV. ADMINISTRATION

A. Discussion and Possible Decision on adding a Loan Provision ([Audio: 01:52](#))

Staff presented information on the loan provision. (Please see [Exhibit A-8](#))

Chair Reed asked Staff who sets the interest rate. Staff stated that the Committee through its loan policy sets the interest rate which is generally the prime lending rate plus 1.00%. He asked Staff if there is a maximum loan amount. Staff noted the maximum loan is half of the account value up to \$50,000.

Chair Reed asked who handles the loan defaults. Staff noted NDC staff would be responsible for managing, researching and defaulting loans when necessary. Staff indicated the increase in Staff communications to participants coupled with the addition of a loan provision would necessitate the need to increase the current part-time position to a full-time position.

Mr. MacKay questioned the required loan terms, including payment maximums. Staff noted if the loan is classified as a 'miscellaneous loan', it must be repaid within five (5) years. Staff also noted if the loan is for the purchase of a principal residence, the repayment terms can be up to 20 years.

Mr. Davie asked Staff what the national statistic rate is for loan defaults. Staff noted it will obtain information regarding defaults and report back to the Committee.

Motion made by Vice Chair Barnes to direct Staff to begin drafting a loan policy, including action items and a timeline, which will be incorporated in the service provider request for proposal and become effective in January 2013, seconded by Mr. MacKay. Motion passed unanimously.

Mr. Davie stated he was conflicted on this issue and in the past would not have voted in favor of a loan provision. Mr. Davie noted a loan provision is philosophically contrary to the goals and intent of the Plan. He stated he is also concerned about adding another employee but believes this will be a need for the Plan even if the loan provision isn't added. He noted concern with continually adding features to the Plan which increase the costs to all participants. He noted the evidence provided by Staff was compelling, particularly the ability to draft the provision in a way which helps reduce the negative impact to participant's wealth accumulation. He requested to amend the motion if the maker of the motion agreed to include the items noted by Staff in the final loan provision which will help reduce the negative impact of wealth accumulation on participants. He noted he will vote in favor of the motion today due to the increased need amongst participants, particularly in these economic times and due to the evidence provided by Staff which will help reduce the loan provisions impact on negative wealth accumulation for participants. ([Audio: 02:11](#))

Vice Chair Barnes requested that the amended motion to include provision recommended by Mr. Davie.

Staff stated a loan policy will be drafted and put forth to the Committee for final approval at a meeting in 2012. Vice Chair Barnes indicated that the motion does not need to be amended at this time.

B. Discussion Regarding Provider Request for Proposal and Approve Timeline ([Audio: 02:16](#))

Staff presented recommendations for meeting dates and timing for the Provider Request for Proposal (RFP). (Please see [Exhibit A-3, Pages 20-25](#), [Exhibit A-9](#), and [Exhibit A-9i](#))

Motion made by Vice Chair Barnes to approve moving the May 17, 2012 Committee meeting to June 21 and adding a special meeting for RFP finalists' interviews on July 19, 2012, seconded by Chair Reed. Motion passed unanimously.

Mr. Barnes questioned if the Committee would make the final determination regarding the number of providers. Staff indicated the final decisions will be made by the Committee.

The Americh Massena Representative stated that nothing is set in stone. The Representative noted the RFP will be crafted to ask for pricing and information for all Plan assets, and also the assets associated with each provider, Hartford and ING. The Representative noted this structure will allow the Committee to compare dual provider pricing versus the benefits to consolidating under one provider.

Chair Reed stated that one of his concerns is how Committee members score the RFP given the fact that scores can be skewed. Chair Reed requested Staff work with the Purchasing Division to understand how the Committee can prevent scores from being skewed.

Staff requested the Committee consider the goals it has for the RFP and noted that goal setting is important. Staff indicated that AM conducted a study for the State of Colorado regarding moving from three providers to one and the results proved a single provider drives Plan's costs lower. Staff stated what drives participant costs is the revenue needed by the provider or record-keeper. Staff noted having a single provider drives down required revenue and allows the plan to offer the cheapest investment option share class to the participants.

The AM Representative stated that uniformity throughout the investment menu is something the Committee should consider, whether it moves to a single provider or continues with a dual provider structure.

C. Regular Plan Document Amendments ([Audio: 02:29](#))

Staff discussed the proposed amendments to the plan document. (Please see [Exhibit A-10](#) and [Exhibit A-10i](#))

Mr. MacKay stated that Staff did a good job with the extensive amendments.

Staff noted that it will make the discussed changes and return the full document to the Committee prior to finalizing.

Motion made by Vice Chair Barnes to approve the Regular 457(b) plan document as submitted or amended, seconded by Mr. Davie. Motion passed unanimously.

D. Update on Reconciliation of Compliance Audit Items ([Audio: 02:45](#))

Staff provided the Committee with an update regarding the reconciliation of the compliance audit items noted in Mercer's Compliance Report. (Please see [Exhibit A-11](#))

E. Update Regarding Hartford Unallocated Contract Requirements ([Audio: 02:47](#))

Staff noted that Hartford has not filed the necessary paperwork with the Division of Insurance which would extend insurance coverage to participants in the Hartford General Account up to \$100,000. Staff noted issues it discovered which include the requirement that the contract is a group annuity rather than the current group funding agreement between Hartford and NDC and

that the crediting rate cannot be greater than the Moody's Corporate bond yield index minus 2.00%. (Please see [Exhibit A-3, Pages 26-27](#), [Exhibit A-12](#), and [Exhibit A-12i](#))

Ms. Vandenberg indicated the need to contact the National Guaranty Association for further clarification regarding the crediting rate issue. She noted the current statute isn't clear if coverage is partial or non-existent for crediting rates which exceed the definition. Staff and legal will provide an update at a future meeting.

Mr. Davie noted the provision of the law was effective on October 1 and a newsletter article was provided to participants with the assumption that affected participants would be covered by the effective date. He noted concerns that Hartford has not completed the necessary paperwork or overcome the issues surrounding coverage and stated the need to update participants regarding this issue in the next newsletter. He also requested Hartford representatives provide additional information since the issues are between Hartford and the Division of Insurance.

The Hartford Representative stated he had a fresh update and Hartford had met with the Division of Insurance yesterday and now have a better understanding regarding the issues relative to how a funding agreement can be viewed as an insurance contract. The Representative stated they can amend their current contract and worked with internal legal staff to craft the necessary amendments. The Representative also stated that they should have an update over the next couple of business days with regards to this issue.

F. Annual Participant Survey ([Audio: 02:58](#))

Staff presented the 2011 annual participant survey. Staff noted that the survey will be sent electronically and in the fourth quarter participant statement of accounts which are mailed to participants by the providers. (Please see [Exhibit A-13](#) and [Exhibit A-13i](#))

Vice Chair Barnes asked Staff how it arrived at questions for the survey and the intent of the questions. Staff noted the survey is meant to get clarification regarding investment option usage and understanding, in addition to understanding the services used by participants and their input on potential additional services as a result of the provider RFP.

Mr. MacKay asked Staff what the response rate was for last year. Staff noted that the response rate was about 2000 surveys or approximately 15%. He also asked for the approximate percentage of the participants who have accounts with both providers because this could result in several duplicate survey responses. Staff noted there are approximately 350 participants of the nearly 13,000 who have accounts with both providers.

Vice Chair Barnes asked Staff when the survey will be sent. Staff noted the surveys will be sent with the provider's fourth quarter participant statements which should be received around the middle of January 2012. Vice Chair Barnes questioned if the Committee could discuss and finalize the survey during the December meeting.

The ING Representative stated the final survey will need to be received by December 7 to be included in the fourth quarter participant statements.

The Hartford Representative stated that they will need the information by the same time as ING.

Vice Chair Barnes was concerned that new Committee members may have comments and possible changes to the survey and suggested the Committee not take action today but wait until the December meeting.

Chair Reed stated new members can provide input for next year's survey.

Chair Reed proposed a change to page 1 question number 3. He recommended adding 'number' of investment options.

Mr. MacKay noted the proposed change dramatically changed the meaning of the question. Staff noted an additional question can be added regarding the 'number' of investment options.

Mr. Davie questioned what the concerns are regarding the survey. He stated if the Committee deferred this agenda item to a future meeting then all actionable items would need to be deferred to a future meeting to account for the views of all new Committee members. He stated the Committee should proceed with the survey and not delay it to a future meeting.

Chair Reed noted the he agreed that the current Committee should move forward with the survey.

Mr. MacKay noted he also does not want to delay the survey. He asked Staff if all questions relating to provider services should contain the phrase 'within the last year'. Staff agreed that Mr. MacKay is correct and will add this phrase to the end of the website question.

G. NAGDCA Conference Report ([Audio: 03:09](#))

Staff provided information to the Committee regarding the National Association of Governmental Defined Contribution Administrators (NAGDCA) conference in Albuquerque, New Mexico. (Please see [Exhibit A-14](#))

H. Approval to retroactively add entities to NDC FICA Alternative Plan ([Audio: 03:12](#))

Staff discussed the issues surrounding this agenda item and the recommended motion. (Please see [Exhibit A-15](#))

Mr. MacKay asked Staff how the Board of Examiners for Alcohol, Drugs, & Gambling fell between the cracks and if Staff has concerns the Plan may have other Boards which may be contributing also. Staff noted the issue related to Hartford's record-keeping systems inability to account for each Board separately and the reason Staff is requesting the Committee add all Boards to the Plan is due to the fact that we may have other Boards contributing.

Motion made by Chair Reed to direct Staff to add the following entities to the FICA-Alternative Plan: Board of Accountancy, Board of Examiner's for Alcohol, Drugs & Gambling Counselors, Board of Examiner's for Social Workers, Board of Medical Examiners, Board of Nursing, Board of Pharmacy, and the Board of Veterinary Medical Examiners, seconded by Vice Chair Barnes. Motion passed unanimously.

V. RATIFICATION AGENDA* ([Audio: 03:17](#))

Staff presented the ratification agenda. (Please see [Exhibit A-16](#), [Exhibit A-16i](#), and [Exhibit A-16ii](#))

Motion made by Vice Chair Barnes to approve the ratification agenda items as submitted or amended, seconded by Mr. MacKay. Motion passed unanimously.

VI. CURRENT BUDGET INFORMATION ([Audio: 03:18](#))

Staff provided the current budget information. Staff noted the Plan will be returning over \$250,000 to the participants this year which brings the four year total to over \$900,000 being returned to participants. (Please see [Exhibit A-17](#))

Chair Reed thanked Staff for its fiscal responsibilities.

VII. COMMENTS ([Audio: 03:20](#))

A. Investment Consultant/Service Vendors:

- The Hartford Representative stated that DST is a company name, DST Incorporated.

B. Deputy Attorney General had nothing to report.

C. Committee Members:

- Mr. Davie complimented the Executive Officer for attending the NAGDCA conference on her own expense and stated it demonstrated her commitment to the Plan and Participants. He also thanked the Committee for allowing him to attend the meeting via videoconferencing.

D. Staff had nothing to report.

VIII. Public Comments ([Audio: 03:23](#))

No public comments

IX. ADJOURNMENT

The meeting was adjourned at 12:25 PM.

Respectfully Submitted:

Jenny Potts
Administrative Assistant

Approved by:

Tara Hagan
Executive Officer

LIST OF EXHIBITS

- Exhibit A-1: Staff booklet, Tab I-C, Meeting Minutes for August 18, 2011
Exhibit A-1i: Staff booklet, Tab I-C, Meeting Minutes for August 26, 2011
- Exhibit A-2: Staff booklet, Tab I-D, Meeting Dates
- Exhibit A-3: Staff Presentation, Pages 1-27
- Exhibit A-4: Staff booklet, Tab II-B, Roth Feature Update
- Exhibit A-5: Staff booklet, Tab II-D, Hartford Record Keeping System Conversion Update
- Exhibit A-6: Staff booklet, Tab III-A, Consolidation of Small-Mid Investment Category Options in the Plan
Exhibit A-6j: Staff Recommended Consolidation: Attachment A/Style & Allocation Comparisons: Attachment C
Exhibit A-6ii: Comparison Bar Graph: Attachment B
- Exhibit A-7: Mercer Investment Report dated third Quarter 2011 for period ending September 30, 2011, entitled *Performance Evaluation, State of Nevada*
- Exhibit A-8: Staff booklet, Tab IV-A, Discussion Regarding Loan Provision
- Exhibit A-9: Staff booklet, Tab IV-B, Discussion Regarding Provider RFP and Timeline of Events
Exhibit A-9j: Email from David Frommer at UNLV.
- Exhibit A-10: Staff booklet, Tab IV-C, Regular Plan Document Amendments
- Exhibit A-11: Staff booklet, Tab IV-D, Update on Reconciliation of Compliance Audit Items
- Exhibit A-12: Staff booklet, Tab IV-E, Update Regarding Hartford Unallocated Contract Requirements
Exhibit A-12j: Nevada Life and Health Insurance Guaranty Association Act Summary Document
- Exhibit A-13: Staff booklet, Tab IV-F, Annual Participant Survey
Exhibit A-13j: Draft Survey
- Exhibit A-14: Staff booklet, Tab IV-G, NAGDCA Conference Report
- Exhibit A-15: Staff booklet, Tab IV-H, Approval to Retroactively Add Entities to NDC FICA Alternative Plan.
- Exhibit A-16: Staff booklet, Tab V, Contract for Services of Independent Contractor
Exhibit A-16i: Hartford Letter
Exhibit A-16ii: ING Letter
- Exhibit A-17: Staff booklet, Tab VI, Current Budget Information
- Exhibit B: Hartford Quarterly handout
- Exhibit C: ING Quarterly handout