



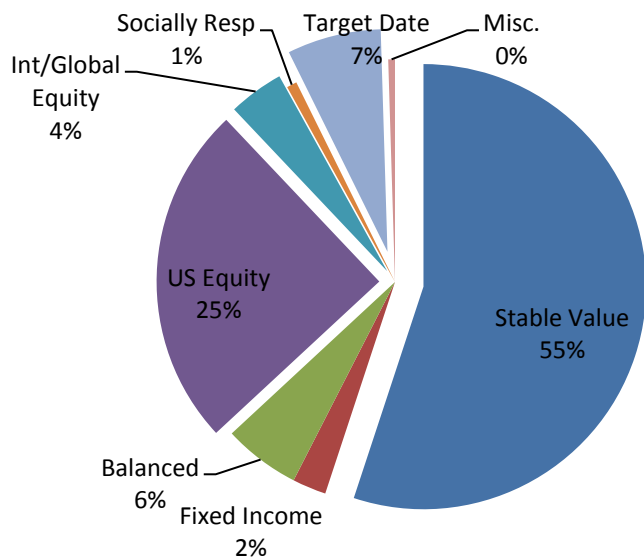
# November 2011 NDC Committee Meeting



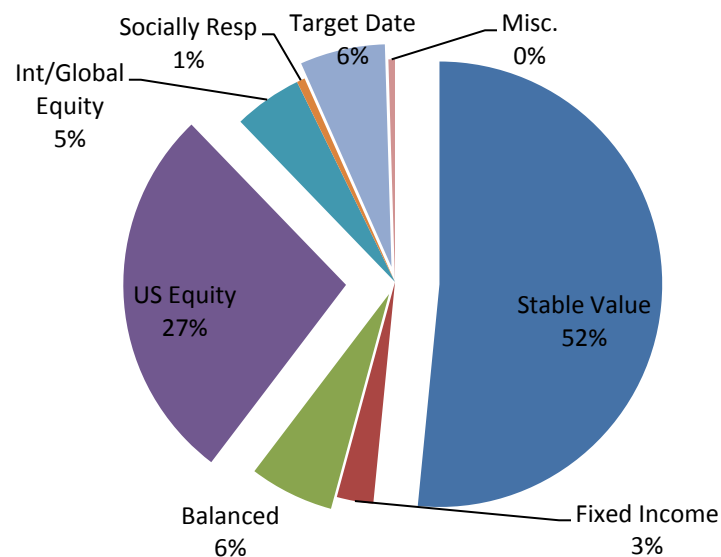


# NDC Asset Allocation

**NDC - Asset Allocation as of 9/30/11**  
**\$517.4 Million**



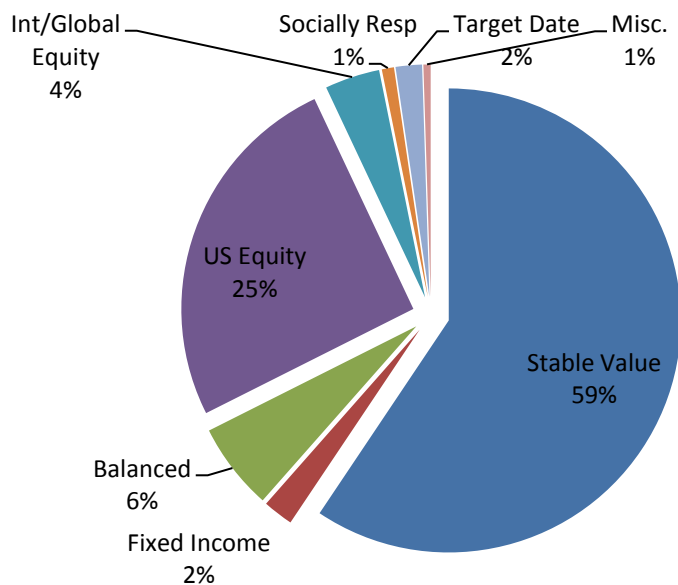
**NDC - Asset Allocation as of 9/30/10**  
**\$510.3 Million**



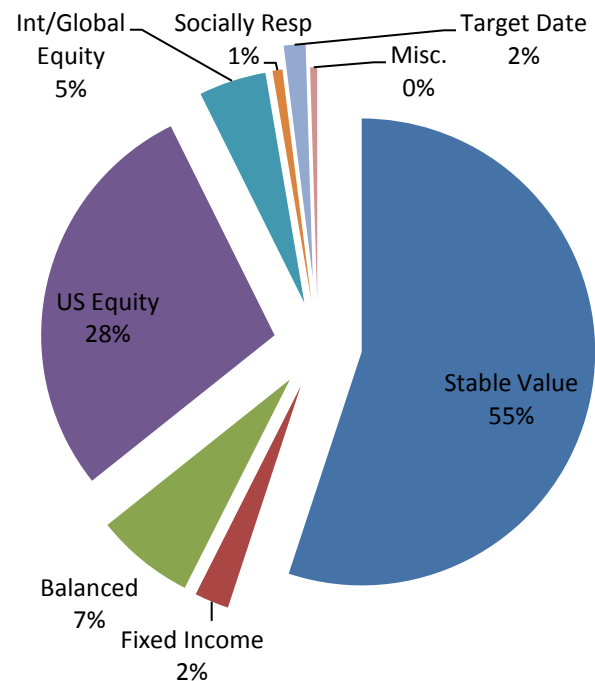


# Hartford Asset Allocation

**Hartford- Asset Allocation as of 9/30/11**  
**\$426.7 Million**



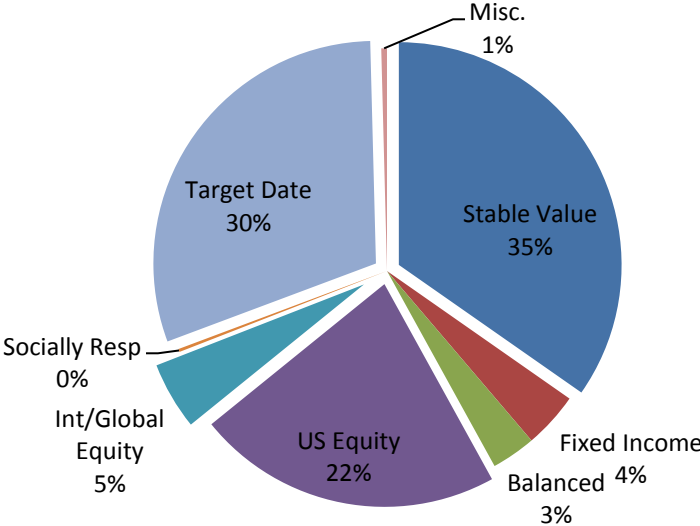
**Hartford - Asset Allocation as of 9/30/10**  
**\$420.8 Million**



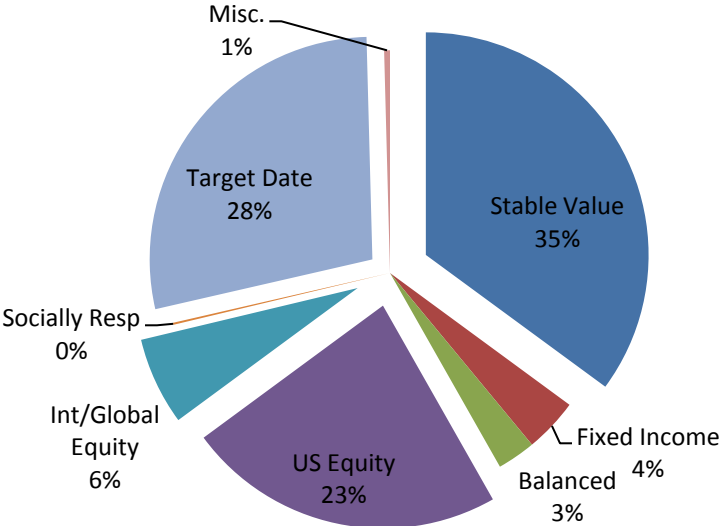


# ING Asset Allocation

**ING- Asset Allocation as of 9/30/11**  
**\$90.7 Million**









**ING- Asset Allocation as of 9/30/10**  
**\$89.5 Million**





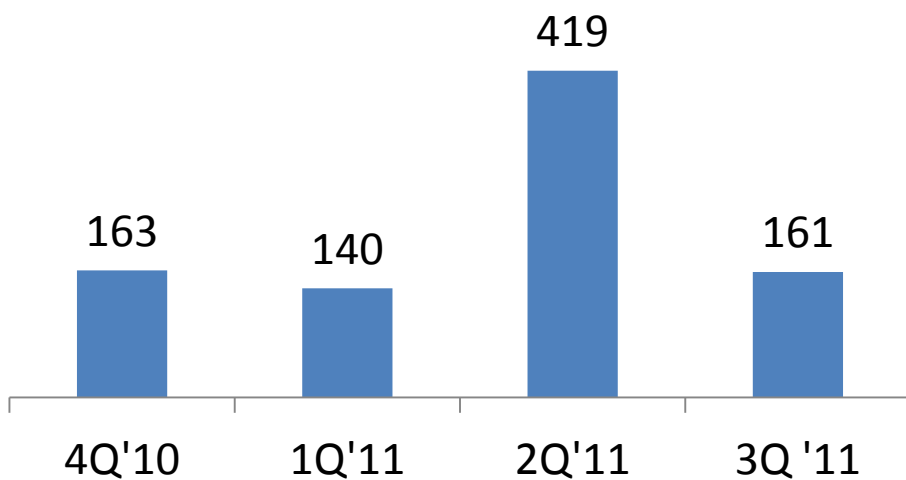
# Plan Activity

	3Q 10	3Q 11	% Change	
<b>Total Participants</b>	12,863	13,134		2%
<b>New Participants</b>	205	161		21%
<b>Quarterly Cash Flow</b>	\$10.88 Million	\$11.59 Million		7%
<b>Individual Mtg with Reps</b>	1,746	1,771		1%
<b>Group Enrollment Meetings</b>	214	228		7%
<b>Rollovers In (included in cash flow)</b>	\$1.19 Million	\$1.43 Million		20%

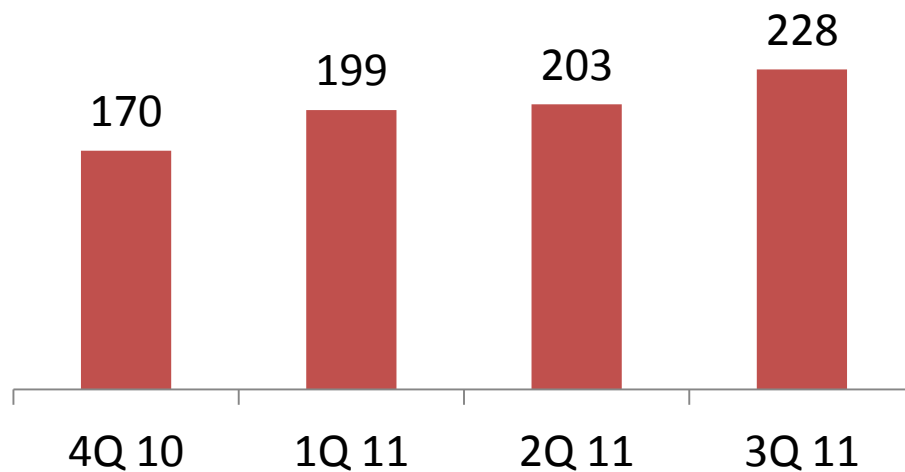


# 3Q Enrollments and Meetings

### New Enrollments








### Group Enrollment Mtgs.





# Leakage

	3Q 10	3Q 11	% Change	
<b>Total Number Withdrawals (Full Only)</b>	\$922,474	\$843,974		9%
<b>Total # of Rollovers (Out of Plan)</b>	\$1.92 Million	\$3.18 Million		66%
<b>Total Number of Service Buybacks (NVPERS)</b>	\$1 Million	\$1.16 Million		16%
<b>Total Number Unforeseen Emergencies</b>	\$164,548	\$102,561		38%
<b>TOTAL MONEY OUT*</b> *Does not include routine money out (RMDS, partials, or SWOS)	\$4.01 Million	\$5.29 Million		32%

# Performance Indicators

Performance Indicators	3Q 2011 (September 30, 2011)	FY 12 Goal	% of Goal
<b>Total Participants</b>	<b>13,134</b>	<b>13,044</b>	<b>101%</b>
<b>Participation Rate</b>	<b>22%</b>	<b>23%</b>	<b>99%</b>
<b>Percent of funds with top ratings (4-5 stars)</b>	<b>56%</b>	<b>75%</b>	<b>75%</b>
<b>Average Annual Costs to Participants**</b>	<b>0.60%</b>	<b>0.68%</b>	<b>113%</b>
<b>Percent of Customers' Calls to providers answered within 20 seconds</b>	<b>85% Hartford</b>	<b>80%</b>	<b>106%</b>
	<b>95% ING</b>	<b>80%</b>	<b>119%</b>
<b>Total Plan Assets</b>	<b>\$517 million</b>	<b>\$498 million</b>	<b>104%</b>





# Peer Universe Rankings

## Rolling 5-year Performance Ranking (9.30.10)

Top Quartile:	27%	
Top Half:	46%	<u>73%</u>
Bottom Half:	23%	
Bottom Quartile:	4%	

## Rolling 5-year Performance Ranking (9.30.11)

Top Quartile:	12%	
Top Half:	38%	<u>50%</u>
Bottom Half:	38%	
Bottom Quartile:	12%	

## Rolling 5 year Risk/Reward Ranking (9.30.10)

Top Quartile:	27%	
Top Half:	50%	<u>77%</u>
Bottom Half:	19%	
Bottom Quartile:	4%	

## Rolling 5 year Risk/Reward Ranking (9.30.11)

Top Quartile:	13%	
Top Half:	48%	<u>61%</u>
Bottom Half:	30%	
Bottom Quartile:	9%	



# Why Consolidation?

- Underperformance of the Lazard Mid Cap Equity Fund
- 71% of Committee Watch List
- 67% Have Higher Annual Expenses
- Staff, Mercer and Arnerich Massena Recommend Consolidation



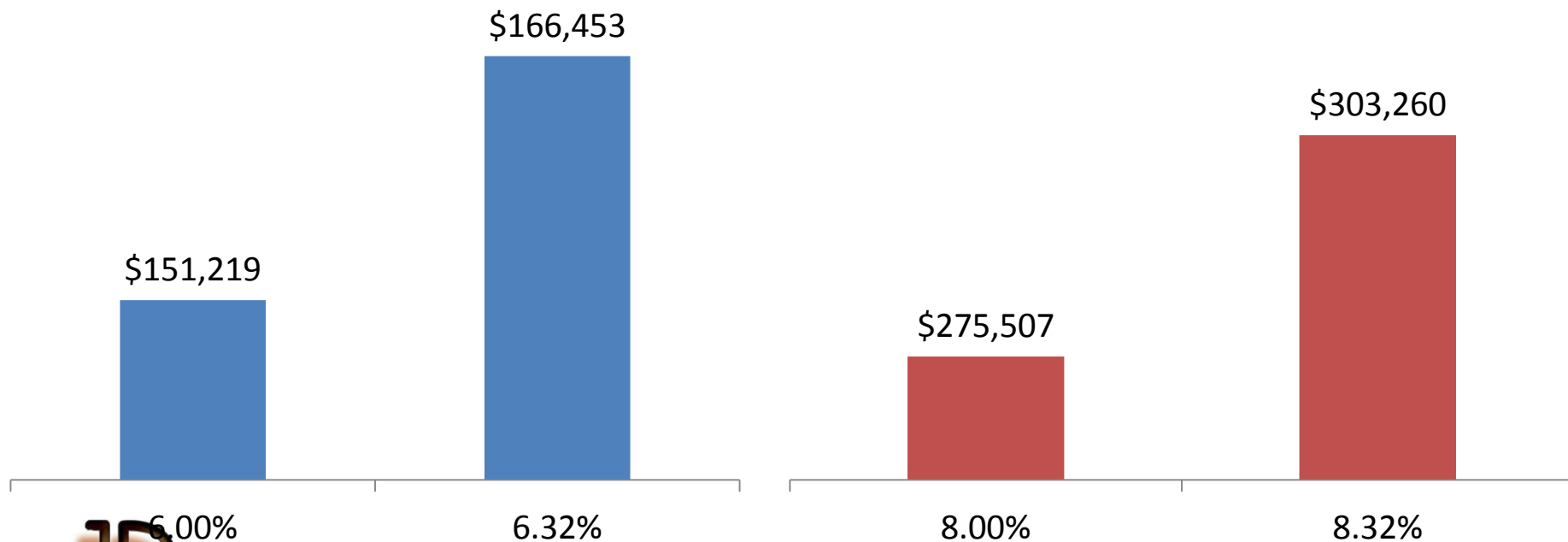
# Why Consolidate?

- Lower Participant Fees
- Increase Diversification
- Facilitate Participant Use
- Enhance Participant Understanding



# Lower Participant Fees

- 67% of Actively Managed Funds Have Higher Expenses





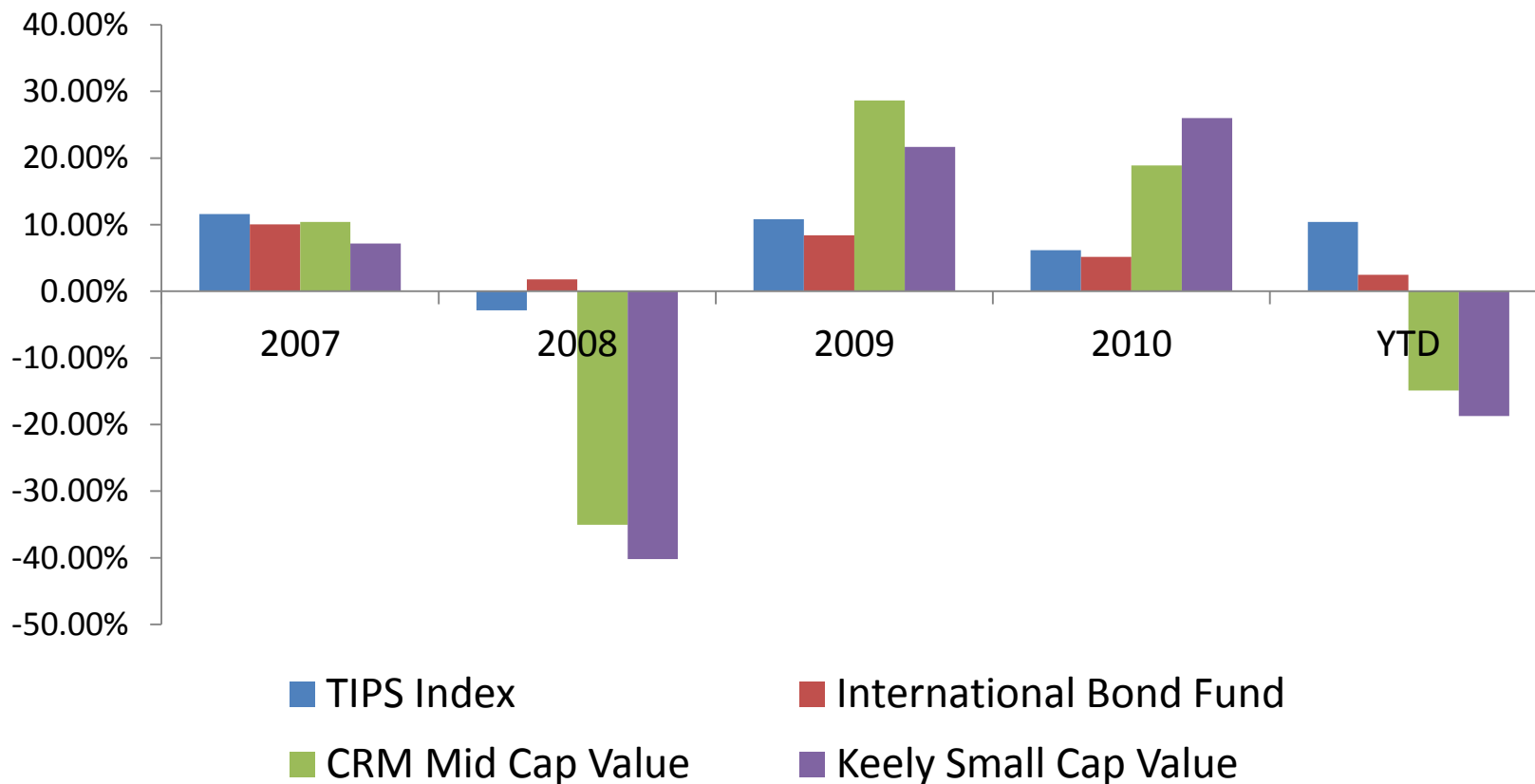
# Lower Participant Fees

- Consolidate Assets to Move to New Share Classes with Lower Expenses

Style	Potential Assets
Small-Mid Core	\$42.06 million
Small-Mid Growth	\$7.85 million
Small-Mid Value	\$10.82 million



# Increase Diversification





# Ease of Portfolio Construction

- Current Fund Names and Styles Not Intuitive
  - Small Funds = Small & Medium holdings
  - Core Funds = Value & Growth holdings
  - Medium Funds = Mid & Large holdings
- Move to Smid funds (small-mid asset classes)
  - Combination of Small and Medium Holdings
  - Continue to Offer All Style Boxes
  - Clarification and not Limitation



# Staff Recommendation

- 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.





# Committee Fund Watch List

<b>Fund Name</b>	<b>Date Added</b>	<b>Reasons</b>	<b>Action</b>
Hartford Mid Cap	February 2011	Manager Change	Continue
American Funds Growth Fund of America	February 2011	Performance/Capacity	Continue
Lazard U.S. Mid Cap Equity Income	May 2008	Underperformance & Manager Change	Continue
Oppenheimer Main Street Small-Mid Cap	August 2009	Manager Change/Style Change	Continue
Mutual Global Discovery	February 2010	Manager Change	Continue
Munder Mid Cap Growth Fund	November 2010	Underperformance	Continue
Keeley Small Cap Value Fund	November 2010	Underperformance & Volatility	Continue



# Loan Provision

- 'Neither a Blessing nor a Bogeyman'
- 93% of plans with 10,000 or more participants offer loans
- Reduce Negative Impact on Wealth Accumulation
  - 52% allow only one loan
  - 82% use minimum loan in range of \$501 - \$1,000
  - 60% use prime rate plus 1.00% for interest rate
  - 56% adjust interest rate monthly



# Staff Recommendation

- **Recommended Motion:**

Motion to direct Staff to begin drafting a loan policy, including action items and a timeline, which will be incorporated in the recordkeeper request for proposal and become effective in January 2013.



# Provider RFP Timeline and Discussion

TASK	ESTIMATED TIMEFRAME
NDC Planning Mtg.	December 13 – Discuss RFP
Committee Motion to Approve RFP Document	February 16 Committee Mtg.
Distribute RFP to Providers	February 20
RFP Responses Due	April 16, 2012
Review Consultant Summary, Member Scoring and Finalists	Move May 17 Committee Meeting to June 21
Finalists Interviews and Committee motion to Award Contract	Special Meeting on July 19, 2012



# Considerations

- Fiduciary Obligation
- Consider Goals of RFP
  - Reduce Participant Fees
  - Simplify Plan to Increase Participation
  - Consider Participant Needs and Service Model
- Single Provider
- Open Investment Architecture
- Service Model
- Primary RFP Categories and Scoring
- Contract Length
- FICA-Alternative Plan



# Plan Cost Implications

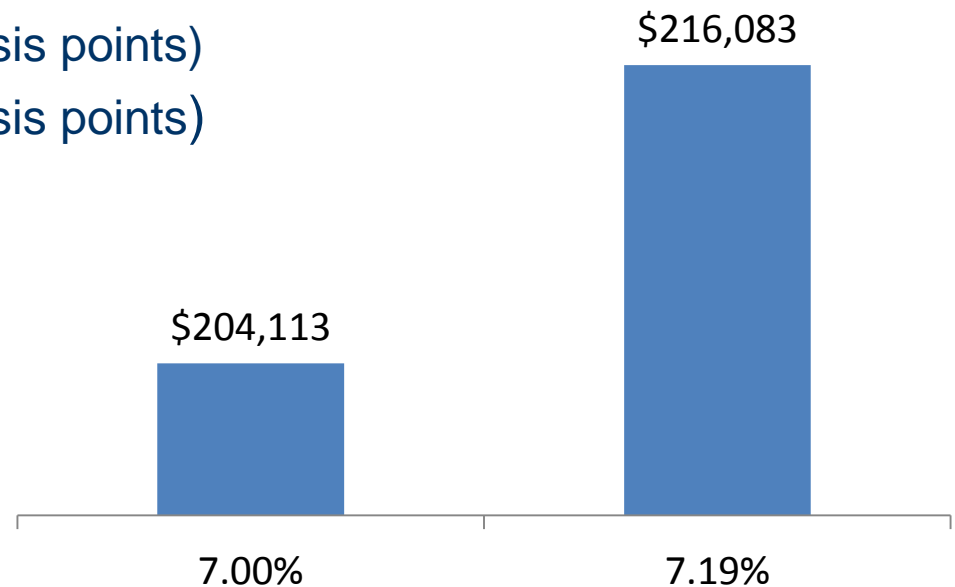
- **Record-keeping Fees**
  - Paid by Participants (Revenue Sharing)
  - Fewer Participants – Higher Cost
  - Greater Number of Participants - Lower Cost
- **Fees and Plan Size**
  - Smaller plans – Higher fees
  - Larger plans – Lower fees
- **Investment Option Fees**
  - Share Classes

Fees	Share Class 1	Share Class 2	Share Class 3
Admin. & Management Fee	0.30%	0.30%	0.30%
Revenue to Record keeper	0.35%	0.25%	0.05%
Total Expense Ratio	0.65%	0.55%	0.35%



# Participant Costs

- **Plan Costs and Participants**
  - Vanguard Institutional Index Fund
    - Hartford: 0.04% (4 basis points)
    - ING: 0.23% (23 basis points)
  - Vanguard Small Cap Index Fund
    - Hartford: 0.17% (17 basis points)
    - ING: 0.36% (36 basis points)





# Consider RFP Categories

- Organizational & Financial Strength
- Participant Services
- Investment Flexibility
- Fees & Expenses
- Plan Sponsor Services
- References





# Staff Recommendation

- **Recommended Motion:**

Motion to approve moving the May 17, 2012 Committee meeting to June 21, 2012 and adding a special meeting for RFP finalists' interviews on July 19, 2012



# Unallocated Coverage Update

- Group Funding Agreements Not Covered
- No Coverage if interest rate yields/crediting rates exceed an 'average rate'
- NRS 686C.035(1)(c)
  - Averaged over a period of 4 years before the date NLHGA is obligated with respect to contract
  - Exceeds rate of interest determined by subtracting 2% from Moody's Corporate Bond Yield Average for same time period



# Crediting Rate Example

- Moody's Corporate Bond Yield Average over NDC contract period
  - 2008: 5.64%
  - 2009: 5.50%
  - 2010: 4.94%
  - 2011 (3Q): 4.80%
  - Average: 5.22% - 2.00% = 3.22%**
- Hartford General Account Crediting Rate over NDC contract period
  - 2008: 5.30%
  - 2009: 5.00%
  - 2010: 4.75%
  - 2011: 4.50%
  - Average: 4.88%**