



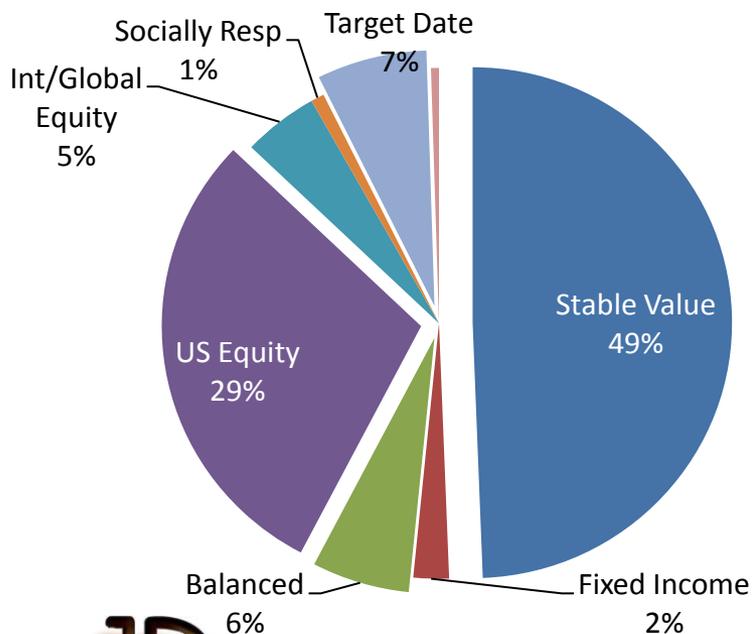
# August 2011 NDC Committee Meeting



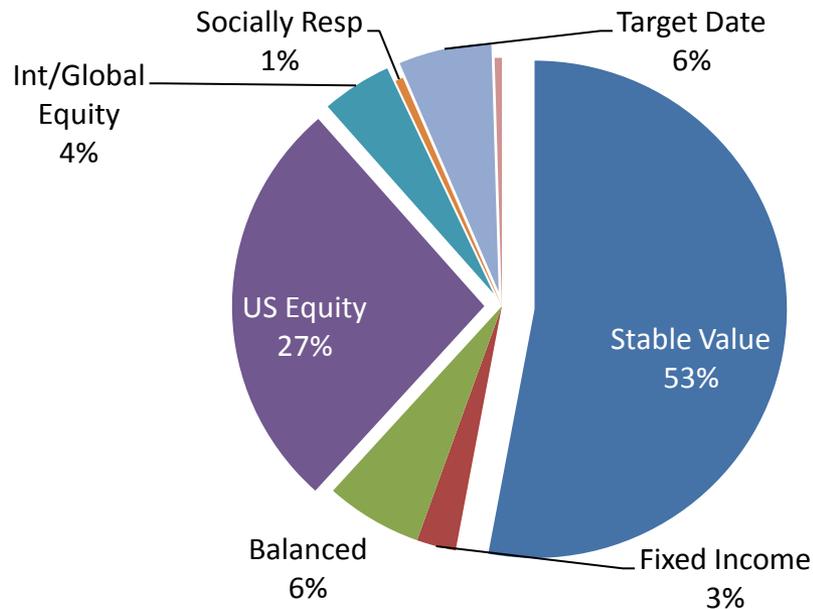


# NDC Asset Allocation

**NDC - Asset Allocation as of 6/30/11**  
**\$555.8 Million**



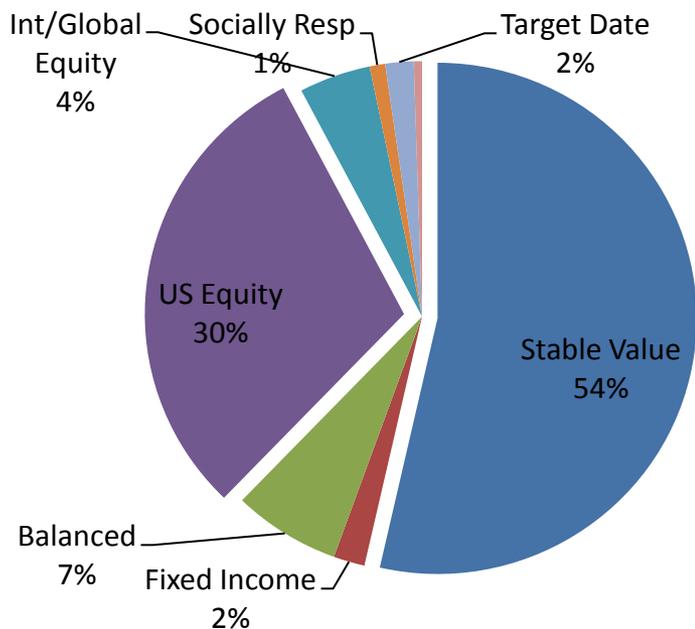
**NDC - Asset Allocation as of 6/30/10**  
**\$478.7 Million**



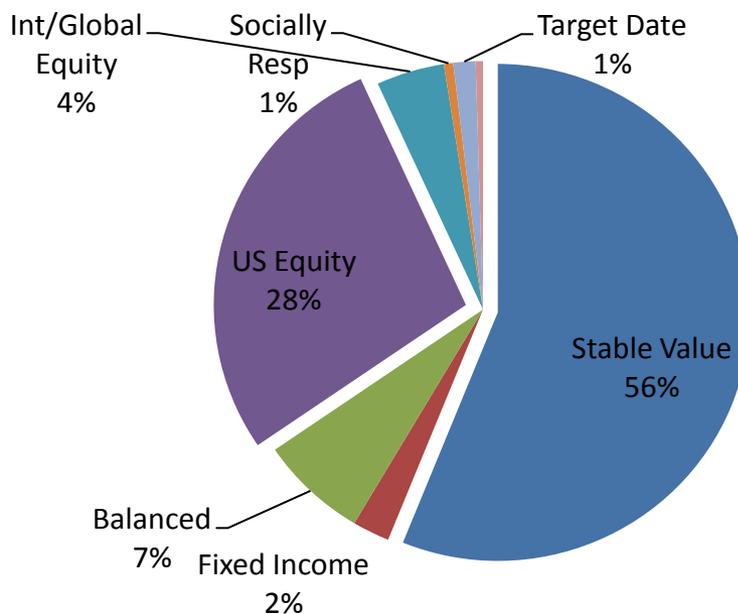


# Hartford Asset Allocation

**Hartford- Asset Allocation as of 6/30/11  
\$458.0 Million**



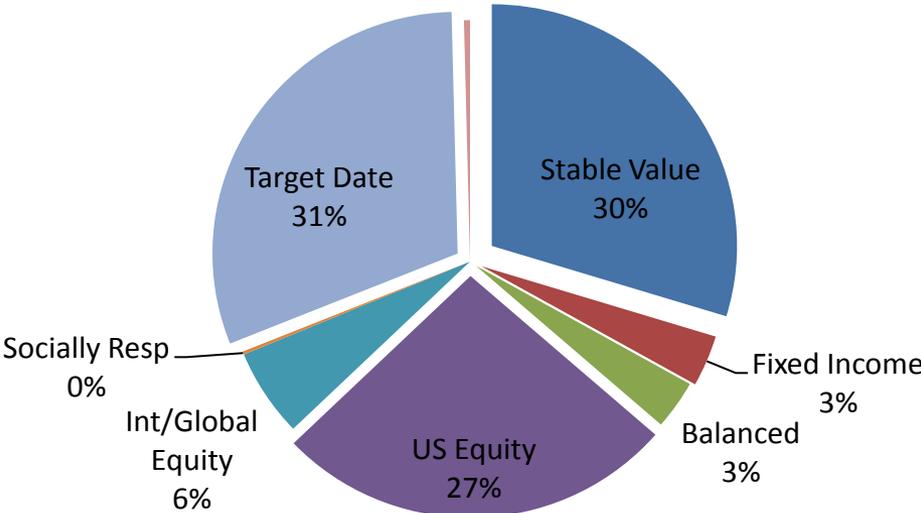
**Hartford - Asset Allocation as of 6/30/10  
\$395.1 Million**



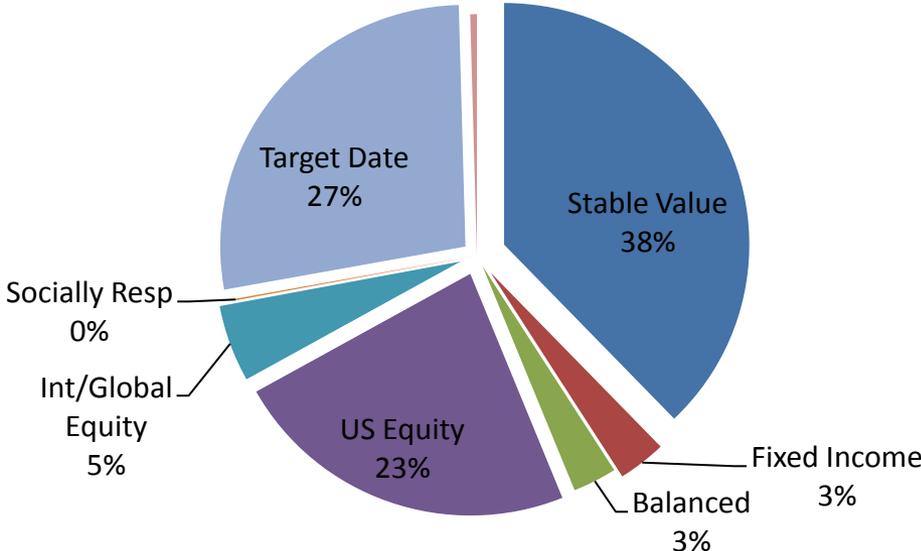


# ING Asset Allocation

**ING- Asset Allocation as of 6/30/11**  
**\$97.8 Million**



**ING- Asset Allocation as of 6/30/10**  
**\$83.6 Million**





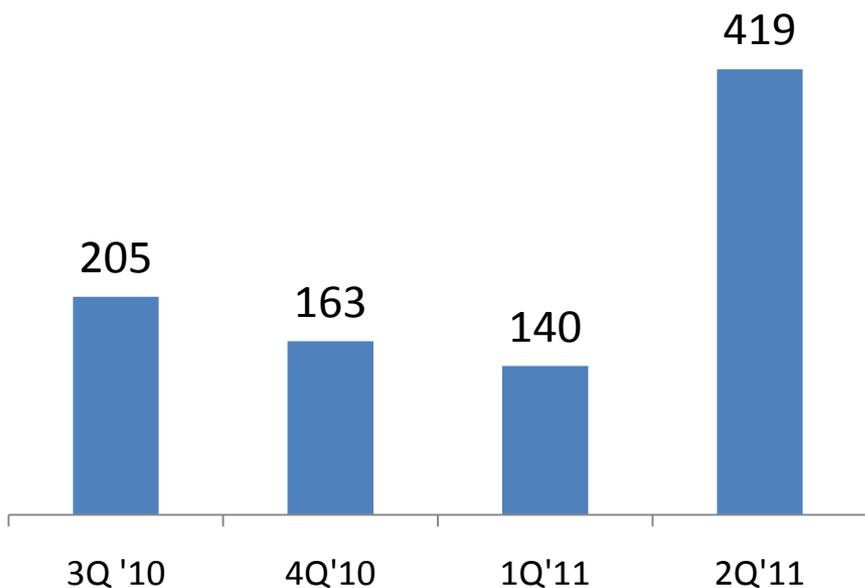
# Plan Activity

	2Q 10	2Q 11	% Change	
<b>Total Participants</b>	12,788	13,138		2.7%
<b>New Participants</b>	213	419		97%
<b>Quarterly Cash Flow</b>	\$11.53 Million	\$11.87 Million		3%
<b>Individual Mtg with Reps</b>	2,373	2,364		0.4%
<b>Group Enrollment Meetings</b>	223	203		9%
<b>Rollovers In (included in cash flow)</b>	\$1.22 Million	\$1.92 Million		57%



# 2Q Increases in Enrollments and Contributions

## New Enrollments



## Contributions





# Leakage

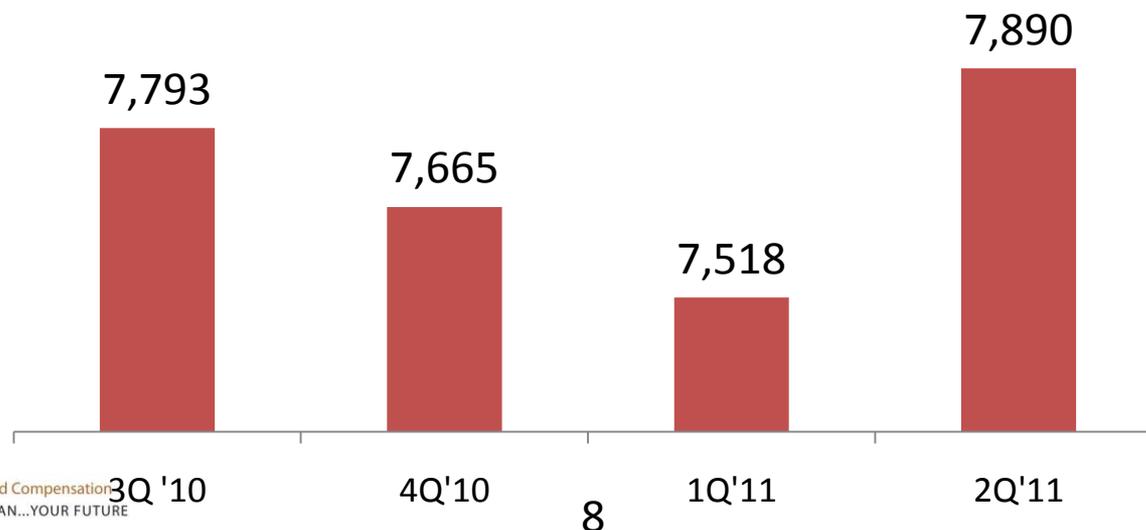
	2Q 10	2Q 11	% Change	
<b>Withdrawals (Full Only)</b>	\$998,756	\$1.7 Million		70%
<b>Rollovers (Out of Plan)</b>	\$2.8 Million	\$5.3 Million		89%
<b>Service Buybacks (NVPERS)</b>	\$1.3 Million	\$1.6 Million		23%
<b>Unforeseen Emergencies (UE)</b>	\$75 ,017	\$199,037		165%
<b>Approved UE Claims</b>	24	40		67%
<b>TOTAL MONEY OUT*</b>				
*Does not include routine money out (RMDS, partials, or SWOS)	\$5.1 Million	\$8.7 Million		71%



# Combating Leakage

- July/August Edition of Plan Advisor
  - Less than 4% of participants take a withdrawal
  - 4% of assets left NDC in 2010 (\$17.9 of \$539.45)
  - Getting Non-participants into the Plan is Most Important
- Moving in the right Direction with EZ Enrollment

Active Participants





# Performance Indicators

Performance Indicators	2Q 2011 (June 30, 2011)	FY 11 Goal	% of Goal
<b>Total Participants*</b>	<b>10,710</b>	<b>11,429</b>	<b>94%</b>
<b>Participation Rate*</b>	<b>32%</b>	<b>39%</b>	<b>85%</b>
<b>Quality Investment Options (% of funds with 4-5 stars)</b>	<b>56%</b>	<b>75%</b>	<b>75%</b>
<b>Average Annual Costs to Participants**</b>	<b>0.61%</b>	<b>0.68%</b>	<b>111%</b>
<b>Percent of Customers' Calls to providers answered within 20 seconds</b>	<b>96.6% Hartford</b>	<b>80%</b>	<b>121%</b>
	<b>80% ING</b>	<b>80%</b>	<b>100%</b>
<b>Total Plan Assets*</b>	<b>\$444 million</b>	<b>\$393 million</b>	<b>113%</b>

\* Does not include alliance partner data

\*\* Does not include guaranteed accounts



# Peer Universe Rankings

## Rolling 5-year Performance Ranking (6.30.10)

Top Quartile:	34%	
<u>Top Half:</u>	<u>42%</u>	<u>76%</u>
Bottom Half:	23%	
Bottom Quartile:	4%	

## Rolling 5-year Performance Ranking (6.30.11)

Top Quartile:	19%	
<u>Top Half:</u>	<u>31%</u>	<u>50%</u>
Bottom Half:	35%	
Bottom Quartile:	15%	

## Rolling 5 year Risk/Reward Ranking (6.30.10)

Top Quartile:	28%	
<u>Top Half:</u>	<u>45%</u>	<u>73%</u>
Bottom Half:	23%	
Bottom Quartile:	4%	

## Rolling 5 year Risk/Reward Ranking (6.30.11)

Top Quartile:	19%	
<u>Top Half:</u>	<u>35%</u>	<u>54%</u>
Bottom Half:	35%	
Bottom Quartile:	11%	



# Roth Update

- Participant Inquiry
  - Roth 457 not Separate Retirement Account
  - Investment Selection Function of Record-keepers
- Optional Provisions
  - Accept Rollovers of Roth assets
  - Accept In-Plan Rollovers
  - Not Allow Unforeseen Emergency Distributions



# Recommended Motion

- Motion to Accept Rollovers of Roth Assets and In-plan rollovers Consistent with IRC Section 457(b) and Section 401A and not Allow Unforeseen Emergency Distributions from Roth 457 Sources.



# Small/Mid Category Discussion

- Staff and Mercer Recommendations in 2010
- Committee's Concern with Participant Choice
- Revisit Issue Today
  - 63% of Funds on Committee Watch List
  - Mid-Cap Blend Fund (ING Platform)



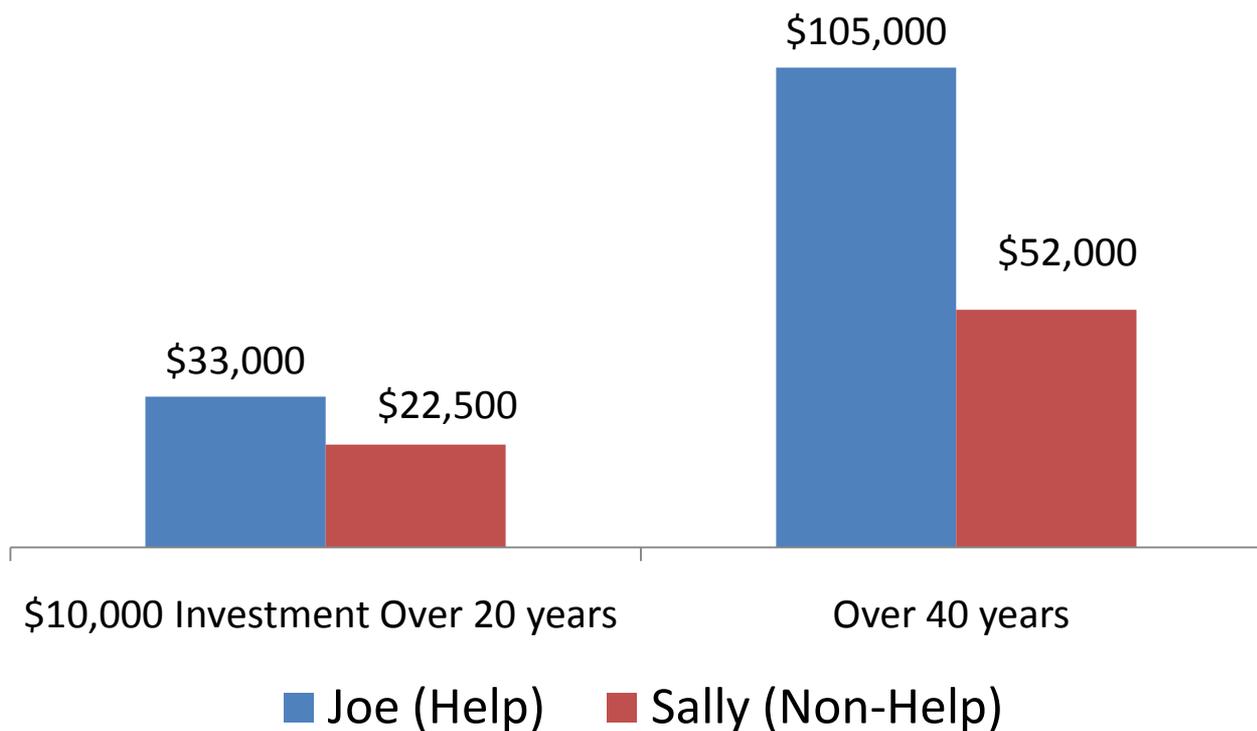
# Participant Choice vs. Clarity

- Choice May not Bring Clarity to Decision-Making
  - NDC 2010 Participant Survey
    - 41% would prefer fewer options
  - Hewitt/Financial Engines Study
    - Participants Who Manage Their Own Accounts
      - Inappropriate Risk Levels
      - Inefficient Portfolios
      - Median Annual Return nearly 2% Less



# Managing Own Account

- Impact of nearly 2% less in Annual Return until Retirement





# What's in a Name?

- CRM Mid Cap Value
  - NDC Fund Size: Mid Cap
  - Holdings %: 48% Mid Cap / 51% Large Cap
  - NDC Fund Style: Value
  - Morningstar Fund Style: Blend (Value/Growth)
  
- Baron Growth Fund
  - NDC Fund Size: Small Cap
  - Morningstar Fund Size: Mid Cap
  - Holdings %: 73% Mid Cap / 24% Small Cap
  - NDC Fund Style: Growth
  - Morningstar Fund Style: Growth



# Diversification

- 37% of NDC Options in Small-Mid Category
  - Holdings Overlap amongst Small, Mid, Large
  - Industry Trend to Small/Mid Funds
- What are participants missing?
  - TIPS fund
  - Fund with TIPS and other inflationary hedge instruments
  - International Bond Fund
  - Emerging Market Fund



# Recommended Motion

- Motion to direct Staff to work with Consultant to review all options in the small-mid category and provide a plan of action, including timelines and recommendations to the Committee



# Statement on Investment Policy

- Amend Stability of Principle Fund Section
  - Provide ~~necessary~~ **relevant** disclosure regarding underlying portfolio holdings, performance and fees to ~~ensure~~ **assist in** proper risk assessment, performance/**crediting rate** and fee evaluation.

## Recommended Motion:

Motion to approve the Statement of Investment Policy as submitted or amended.

# 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
Invesco Van Kampen Equity & Income	February 2010	Manager Change (fixed income)	REMOVE
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



# Biennium Compliance Review

- Plan Regulations Require Review
- Ensure Compliance with Current Rules and Regulations
- Mercer to Present Report Findings
- Staff to begin Process of Resolution
  
- Recommended Motion:  
Motion to Approve Mercer Compliance Review Findings Report and Direct Staff to begin the Process of Resolution on the necessary items.



# Administrative Manual

- Amendment Summary
  - Add Article IV, Procurement of Services
  - Amend Article XI, Roles, Responsibilities and Duties, Section 1, Committee
  
- Recommended Motion:  
Motion to amend Administrative Manual as submitted or amended.



# AB 74 Discussion

- Division of Insurance Approve GICs for Guaranty Association Coverage Prior to Sale
- No Impact to NDC Provider Contracts
- Guaranty Association Amending Disclosure Document
- 26 States Who Cover Unallocated Contracts
  - Three of 26 offer GICs
  - Insurer Provides Disclosures to Participants



# Loan Provision Discussion

- NAGDCA
  - 50/50 Split on Plans who offer vs. not
  - Majority of Plans Experience 1-5% Participant Usage
- Nevada Plan Data
  - Active Loans: 54% - 15%
  - # of Loans (12 months): 18% - 1%
  - Average Active Loans: 34%
  - Average # of Loans (12 months): 11%



# Pros and Cons

- Pros:
  - May encourage employees to participate in NDC
  - Assist participants in difficult economic times;
  - Participants pay a low interest rate
- Cons:
  - May significantly reduce participants account balances in retirement
  - Additional Administrative Duties for NDC Staff
  - May increase plan costs



# Staff Recommendations

- Committee Consider Adding Loans as part of the Provider Request for Proposal Process
- Effective January 1, 2013