

Brian Sandoval
Governor

Reba Coombs
Program Coordinator



**Nevada Public Employees'
Deferred Compensation Program**

COMMITTEE
Scott Sisco, Chair
NDOT
Carlos Romo, Vice Chair
Retired
Brian L. Davie
LCB
Karen Oliver
GCB
Steve C. Woodbury
DTCA

Shane Chesney
Senior Deputy Attorney General

**DEFERRED COMPENSATION COMMITTEE
QUARTERLY MEETING MINUTES FOR**

Thursday, December 13, 2012

The quarterly meeting of the Deferred Compensation Committee was held on Thursday, December 13, 2012 at 9:00 a.m. in room 2134 of the Legislature Building, 401 S. Carson St., Carson City, Nevada. The meeting was held by videoconference from the Nevada Legislature Building to the Grant Sawyer Building, 555 E. Washington Ave., Suite 4412 E, Las Vegas, Nevada. Other attendees participated in person or by conference call.

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).

BOARD MEMBERS:

Brian Davie
Karen Oliver
Steve Woodbury
Carlos Romo, Vice Chair
Scott Sisco, Chair

OTHERS PRESENT:

Bill Abramowicz, The Hartford
Lyra Ambrose, ING (by phone)
Bishop Bastien, ING (by phone)
Diane Brittell, The Hartford
Shane Chesney, Senior Deputy Attorney General
Reba Coombs, NDC Program Coordinator
Kent Ervin, UNR
Lisa Gilardi, ING (by phone)
Michael Hackett, The Hartford
Jake Honea, The Hartford
Steve Maschino, Financial Soundings
Brian Merrick, ING
Frank Picarelli, Segal Rogerscasey
Steve Platt, ING
Micah Salerno, NDC Admin Assistant

Todd Theroux, The Hartford (by phone)
Robert Trenerry, The Hartford
Tom Verducci, Great-West
Steve Watson

1. Call to Order/Roll Call

Chair Scott Sisco called the quarterly meeting of the Nevada Deferred Compensation Committee to order at 9:03 a.m., on Thursday, December 13, 2012. Roll was taken and it was determined a quorum was present. Ms. Reba Coombs indicated the meeting had been properly noticed and posted.

2. Public Comment

Dr. Kent Ervin with UNR commented on several agenda items. Concerning agenda item 3 Dr. Ervin referred to the letter he sent to the Committee and requested that the Committee release the full minutes from June 21, 2012. Regarding agenda item 11 about the Investment Consultant RFP Dr. Ervin was concerned to see changes and deletions from the previous RFP document and asked for explanation on those items when that agenda item was covered, especially noting the fact that the RFP did not require the Investment Consultant to be a co-fiduciary with the Committee.

3. For Possible Action – Approval of Committee meeting minutes from meetings of June 21, 2012 closed (redacted); July 12, 2012 open and closed (redacted); July 18, 2012; August 16, 2012; August 24, 2012; and September 20, 2012.

Ms. Coombs commented that there were seven sets of minutes for the Committee to approve and addressed each set individually.

June 21, 2012 Closed Meeting Minutes: redaction done by the Deputy Attorney General. No changes were indicated for those minutes.

Chair Sisco commented that the amount of redaction had to be done because of confidential information regarding the RFP process

Mr. Davie thanked Dr. Ervin for his involvement with the Plan and agreed with his requests for information. He believed there was too much redaction on the June 21st minutes and wanted the Committee to be open to sharing records and not operating in secret.

July 12, 2012 Open Meeting Minutes: no changes.

July 12, 2012 Closed Meeting Minutes: no changes.

July 18, 2012 Meeting Minutes: Mr. Davie noted he sent corrections to Ms. Salerno via email. Chair Sisco asked Ms. Salerno to add wording on page 11 and to review the recording to check the order of statements on page 12.

August 16, 2012 Quarterly Meeting Minutes: Chair Sisco questioned the order in which comments were made on page 20 and asked Ms. Salerno to go back and check the recording.

August 24, 2012 Meeting Minutes: no changes.

September 20, 2012 Meeting Minutes: no changes.

Chair Sisco noted that Mr. Woodbury would not vote on the first five sets of minutes since he was not on the Committee during those meetings.

Motion made by Vice Chair Carlos Romo to approve the June 21 Closed/Redacted, July 12 Open, July 12 Closed/Redacted, July 18 and August 16, 2012 minutes as amended, seconded by Mr. Brian Davie.

Mr. Davie wanted the record to show that he would vote to approve the minutes but objected to the excessive redaction of the June 21, 2012 closed meeting minutes.

Vote taken and motion passed unanimously.

Motion made by Vice Chair Carlos Romo to approve the August 24 and September 20, 2012 minutes as amended, seconded by Mr. Brian Davie. Motion carried unanimously.

4. For Possible Action – Receive and approve Program Coordinator’s report.

Ms. Coombs presented her report to the Committee commenting on the new format for meetings and the Fall Newsletter.

Mr. Davie commented that each of the providers should be allowed equal amount of space in the newsletter.

The Committee had a discussion about what kind of material should be included in the newsletter.

Ms. Coombs continued her report noting that all three contract amendments were approved at the Board of Examiners (BoE) meeting on December 5, 2012.

Mr. Davie mentioned the summary the Committee received from the Chairman regarding the BoE meeting and asked if that covered all the questions that were asked and testimony provided during the meeting.

Chair Sisco noted that information summarized the meeting and he commented that he had connected with all three BoE members prior to the meeting. There was a letter provided to the members and during the meeting the Governor asked two questions.

Mr. Davie was concerned that the flawed RFP argument was used during the testimony to the Board of Examiners and he disagreed with that argument and always made a point of putting that on the record. He felt he would need to send a letter expressing his views that it was not a correct argument. It was not his intention to change their vote but it offended his conscience that the flawed RFP was the reason things went wrong because there was a more in-depth explanation.

Chair Sisco quoted from the May 15, 2012 minutes regarding the RFP.

A discussion ensued between Chair Sisco and Mr. Davie.

Page six of Ms. Coombs report showed that the NDC office was in need of some new IT equipment. She thanked NDOT for her computer and for the IT support and noted EITS would provide an assessment of the current equipment and needs for the office.

Chair Sisco commented that they needed to watch the budget closely.

Mr. Davie supported the request for new equipment and felt it was important for communication with participants and the Committee.

Ms. Coombs continued on page seven addressing financial and compliance audits for the Plan.

Chair Sisco had a question about the ongoing monthly bill for Clifton Gunderson.

Ms. Coombs explained that the contracted amount was divided out so they did not have to pay the fee all up front.

Mr. Davie noted that the financial audit was done annually by an outside company. The compliance audit was done every other year by the Investment Consultant and was part of the RFP. He believed they should research this issue and discuss it at the planning meeting. Once a compliance audit was complete it took staff time to make changes and update the Plan document to conform to the audit.

Ms. Coombs noted she would research the monthly invoice and what services it was for.

Mr. Frank Picarelli with Segal Rogerscasey stated the financial audit was traditionally done on an annual basis when following best practice. The compliance audit could be done every two to three years.

Page nine of Ms. Coombs report addressed the Planning Meeting and possible items to include on the agenda.

Chair Sisco suggested they postpone the meeting until April or May. He would also like to have some information from the investment consultant on open architecture and general account versus stable value to educate the Committee.

Mr. Davie agreed that it might be beneficial to postpone the meeting but it could be difficult for him to be available because of the Legislative session. There should be a list of topics everyone could participate in and have a general discussion of where they were going and what was coming up for the Plan. Items he recommended to include were benchmarks of meetings, and the annual review of staff, recordkeepers, and investment consultant. The planning session was helpful for mapping out where they were going, when they would hit key points of information, sharing educational points like fiduciary responsibility, open architecture, and general account information.

Ms. Coombs completed her report discussing what was ahead for staff and Committee including Investment Consultant RFP proposals and contracts awarded, review of the FICA and regular Plan Documents and regulatory updates.

5. For Possible Action – Receive and approve Investment Consultant’s review of third quarter reports from providers and performance of investment options and/or direct staff accordingly.

Ms. Coombs introduced agenda items five and six noting they would be covered together by the investment consultant.

Mr. Picarelli with Segal Rogerscasey commented on the report he provided and stated his company would be happy to do a session to educate the Committee on how to read the Performance Report. Mr. Picarelli presented the quarterly performance review for the Deferred Compensation Program investment options for the period ending September 30, 2012. Mr. Picarelli noted the combined providers had total assets of \$472 million as of September 2012 which was an increase of \$14.3 million or 3 percent (this total did not include the separate governmental entities with Hartford). Individually, Hartford assets totaled \$364.3 million, increasing \$9.5 million or 2.6 percent and ING had \$108 million with an increase of \$4.8 million or 4.5 percent. ([3Q Performance Review](#))

Mr. Davie stated he would like to see the numbers as a whole which would include all the entities that participate in the Plan rather than having them broken down.

Mr. Steve Platt with ING clarified that all the information from ING included state employees as well as all the governmental partners.

Mr. Picarelli stated there were two changes that would be coming, one with Vanguard where they were changing their benchmarks on 22 of their index funds. This would affect 2 funds in the Plan: Vanguard Total Stock Market Fund and the Vanguard Lifecycle Retirement Funds. They were moving from the Morgan Stanley Broad Market Index to the Center for Research and Security Pricing (CRSP) as their benchmark. The second change was with State Street Bond Fund which was consolidating two of their bond funds into one bond fund. The funds would have the same investment strategy and the fees and investment style would be the same.

6. For Possible Action – Receive and approve the Investment Consultant’s Fund Watch List for third quarter. ([3Q Performance Review](#), pages 22-24)

American Funds Growth Fund of America	Remain on Watch
Hartford MidCap HLS	Remain on Watch
Lazard U.S. Mid Cap Equity Fund	Terminated
Munder Mid Cap Core Growth Fund	Remain on Watch
Keeley Small Cap Value Fund	Remain on Watch
Mutual Global Discovery	Remain on Watch

Motion made by Mr. Brian Davie to accept the watch list, seconded by Vice Chair Carlos Romo. Motion carried unanimously.

Mr. Davie wanted to see an annual review of which funds were added or removed from the watch to see how they were doing.

Mr. Picarelli continued his report discussing revenue sharing for the providers. The Hartford arrangement under the contract extension was 11 basis points on variable money that they managed. That excluded the General Account and the \$1.3 million that was in the brokerage account. That left about \$153 million at the 11 basis point level. He noted that both vendors should provide a report on revenue sharing

Chair Sisco questioned if the 11 basis points had dropped from 28 basis points for the contract extension.

Mr. Picarelli verified that was correct. Because of that decrease there would be approximately \$110,000 returned to benefit the Plan and participants.

Mr. Davie commented that because of the lack of transparency with the General Account people needed to understand there was no revenue sharing reflected on almost half of the money that the participants had in the Plan.

Mr. Picarelli addressed the ING funds noting the total revenue sharing with them was 35 basis points and the Plan had come in at 34 basis points so they were a little behind. The variable needed to come in at 26 basis points and that was where it was.

Mr. Davie requested to have this information posted on the website so participants could have access to it.

Mr. Picarelli remarked they were following ERISA standards because it was best practice even though it was not required of governmental plans.

Page 27 of the report from Mr. Picarelli showed plan activity for both providers and noted The Hartford information did not include the governmental partners but they would add that information in the future.

Chair Sisco mentioned he liked the reports and would like to see an annual report in the same format.

Mr. Davie observed there were no transfers from ING to The Hartford only from Hartford to ING.

Mr. Picarelli affirmed that there were only transfers from Hartford to ING.

Chair Sisco questioned if the participants were doing well overall with their investing.

Mr. Picarelli stated overall it was a good quarter and they were doing well but they should diversify.

Pages 37 to 46 in the Performance Report were a summary of the funds in the Plan.

Mr. Davie commented he liked the detailed breakdown at the beginning of the report and wanted to see a one page chart assessing risk levels of the investment options in the whole Plan.

The Committee and Mr. Picarelli continued their discussion on the report.

Motion made by Vice Chair Carlos Romo to accept the Analysis of Investment Performance report through September 30, 2012, seconded by Mr. Brian Davie. Vote passed unanimously.

Chair Sisco called for a lunch break until 12:15 p.m.

Chair Sisco called the meeting back to order at 12:18 p.m.

7. For Possible Action – Receive and approve plan activity and administrative update from ING for quarter ending September 30, 2012.

Mr. Steve Platt with ING noted the fund change from Lazard to Hartford MidCap was targeted for February 15, 2013. They would give participants a 30 day notice once everything was in place.

Mr. Platt and Mr. Brian Merrick provided a presentation of material from ING.

Mr. Davie remarked on keeping participants educated on the benefits of keeping their money in the Plan when they retired because of the options for distributions, funds available, and lower fees than they might find elsewhere.

Chair Sisco asked if they had a way to touch base with employees who were close to retirement.

Mr. Platt stated the employees notified them when they retired. They also get a report from Central Payroll after employees retired.

Mr. Platt noted that if a loan feature was added participants would be required to take a loan before they could apply for an unforeseen emergency withdrawal.

Mr. Davie was surprised to learn that information on requiring a loan before an emergency withdrawal noting that the participants would have to pay back the loan where currently if they take an unforeseen emergency withdrawal they do not have to pay that back.

Chair Sisco remarked he liked the report they provided and felt the visual information was helpful.

8. For Possible Action – Receive and approve plan activity and administrative update from The Hartford for quarter ending September 30, 2012.

Mr. Robert Trenerry with The Hartford gave a brief overview of quarterly activity. He noted there were some fund changes during the third quarter that went smoothly.

Chair Sisco questioned if the rollovers for the quarter were higher than normal.

Mr. Trenerry stated they were a little higher than normal due to the sale but felt things were settling down now and next quarter should be lower.

Chair Sisco mentioned he would like to see the information from both provider reports combined to provide the most detailed report.

Ms. Coombs stated if the Committee had input for what they would like to be included in the provider reports to let her know and she would pass that on to the providers.

Mr. Davie asked if that would be the format for the quarterly report or what they should expect in the future.

Mr. Trenerry noted they would find out more once the transition was done with MassMutual but anticipated some enhanced marketing and communication.

Mr. Steve Maschino with Financial Soundings spoke about his company and the retirement readiness reporting that they would be providing to Hartford participants.

Vice Chair Romo inquired what the fees were for the program.

Mr. Maschino stated the pricing was included in the contract with The Hartford but noted it was approximately \$7 to \$8 per person.

The Committee and Mr. Maschino continued their discussion on the reports provided by Financial Soundings.

Mr. Maschino commented the reports were trying to raise awareness and get participants to focus on retirement. The personalized reports would be sent by mail and the participants would have to go online to update their data to get actual numbers.

Chair Sisco asked for a link to allow the Committee to test the service and encouraged Hartford to inform participants that this report would be coming.

9. For Possible Action – Receive an update from Investment Consultant on Proposed Hartford/MassMutual merger.

Mr. Picarelli provided an overview on MassMutual. ([MassMutual Overview](#))

Mr. Bill Abramowicz with The Hartford offered information on the sale to MassMutual anticipating it to be finalized December 31, 2012. Once in place they would provide information to move through the process. He read some comments from the Chairman/CEO of MassMutual.

Mr. Davie questioned if the Committee could get more specific background information on MassMutual similar to the information from the RFP questionnaire.

Mr. Abramowicz noted they could provide information to the Committee after the sale was complete including examples of annual reports and he would speak to senior managers at MassMutual to give feedback as to what might be helpful.

Mr. Davie inquired if there was a communication plan to inform participants about the change.

Mr. Abramowicz noted once the announcement was made they would go over the communication plan and share that with the Committee.

10. For Possible Action – Discussion and possible approval of a final payment to Arnerich Massena for services rendered.

Ms. Coombs gave a brief explanation of this agenda item.

Sr. DAG Shane Chesney described the invoices and communication between the Committee and Arnerich Massena regarding the outstanding balance owed for services they provided. Based on that communication they came up with a final invoice of \$52,500 leaving a balance owed of \$30,000 (because of a \$22,500 credit) to close out that invoice.

Motion made by Vice Chair Carlos Romo to pay Arnerich Massena \$52,500, minus the \$22,500 credit for a total of \$30,000 for the work performed, by December 31, 2012. Motion seconded by Mr. Steve Woodbury.

Mr. Davie noted he supported the motion but did not want the Committee to look cheap by not paying a fair price for the work performed by Arnerich Massena.

A vote was taken on the motion and passed unanimously.

11. For Possible Action – Discussion and possible action with a report from Steve Woodbury on the release of the Investment Consultant RFP.

Ms. Coombs apologized for not circulating the RFP to the Committee for review before it was released. She believed it was a quality product. ([RFP for Investment Consultant](#))

Mr. Woodbury noted they reviewed the RFP and cleaned up issues from the past removing any reference to NRS 333.

Chair Sisco inquired as to why the fiduciary responsibility for the investment consultant was removed.

Mr. Woodbury did not have knowledge of intentionally removing that language if it was there.

Chair Sisco questioned Mr. Picarelli if it is assumed that the investment consultant is a fiduciary with the Committee whether it is part of the RFP or not.

Mr. Picarelli commented that each company takes on a different capacity for fiduciary responsibility. He suggested they add an amendment to the RFP that it was required for the investment consultant to take on fiduciary responsibility and act as a co-fiduciary.

Ms. Coombs stated she would send updates and amendments to companies that the RFP was provided to.

Mr. Davie considered it important to require or have bidders disclose whether they function as a co-fiduciary.

Chair Sisco stated they add an amendment to the RFP under 6a to require them to be a co-fiduciary.

Mr. Davie commented that in the future any documents that come out on behalf of the Committee should be circulated to them first.

Mr. Woodbury took responsibility for changes made and approval of those changes and apologized if he made any decisions in error.

Ms. Coombs noted there was a change in the threshold on the dollar amount required from \$400 million to \$300 million.

Mr. Davie was concerned about the threshold being lowered because the Committee had set the \$400 million threshold previously because they did not want the Plan to be an experiment for smaller

level companies wanting to expand into this business. He believed they should have a company that was nationally recognized and who had experience in dealing with plans of this size.

Chair Sisco noted this agreement would be under NRS 287 and the Committee would make a decision on what best fits the needs of the Plan.

Mr. Davie remarked they should change the number of copies they required from six to seven so the DAG would have a set to look over.

Ms. Coombs reiterated the three changes that would be made to the RFP: 1. Adding language under item 6a 1. to require the consultant to serve as co-fiduciary to the Committee and to provide their role as fiduciary in detail, 2. Change the number of copies requested to seven, and 3. Change the spelling on item 7 from "Sumbission" to "Submission."

Motion made by Mr. Brian Davie to approve the changes to the RFP as discussed, seconded by Vice Chair Carlos Romo. Motion carried unanimously.

A discussion ensued between the Committee and Ms. Coombs about the process of choosing finalists.

DAG Chesney commented that presentations could change people's minds and it may be prudent to have three finalists in the best interest of the participants. He reminded the Committee not to communicate with each other on their choices but to go through Ms. Coombs.

12. For Possible Action – Discussion and possible action on the previously approved Loan Provision.

Ms. Coombs addressed the Loan Provision referencing a motion made by the Committee in November 2011 to add this feature.

The Committee had a conversation regarding the Loan Provision with input from DAG Chesney.

DAG Chesney stated the motion from November 2011 had two parts and because the Provider RFP was pulled the January 2013 implementation date was negated. It was still on the table to draft a loan policy and should be discussed at the planning meeting to provide information and education on how it would work. Legally they should draft a loan policy but there was not timeline on that and since there was no RFP nothing needed to be implemented. It was not necessary to rescind the previous motion since the RFP was withdrawn.

13. For Possible Action – Discussion and setting of future meeting dates.

Ms. Coombs noted they needed to set up dates for the upcoming quarterly meetings and verify a planning meeting date.

Chair Sisco recapped the proposed meeting dates:

Planning Meeting – January 30, 2013

First Quarterly Meeting – June 6, 2013.

Second Quarterly Meeting – August 15, 2013

Third Quarterly Meeting – November 14, 2013

Ms. Coombs confirmed they would have 9 a.m. as a starting time for all of the meetings.

Motion made by Mr. Brian Davie to accept the dates proposed for the future meetings, seconded by Vice Chair Carlos Romo. Motion passed unanimously.

Comments/Updates

14. Committee Members

- NAGDCA Conference Update
Chair Sisco provided a handout and summary of information from the conference Ms. Oliver and he attended.

Ms. Oliver also commented on some of the sessions and classes she participated in.

15. Staff Updates

Ms. Coombs and Ms. Salerno noted they were in the process of updating the Deferred Comp website and welcomed input from the Committee.

16. Public Comment

Dr. Ervin thanked staff for getting minutes updated and questioned when the participants would benefit from the lower basis points from the Hartford contract and if the revenue sharing surcharge would be reduced.

Mr. Trenerry addressed the question from Dr. Ervin noting they had to receive a total of 11 basis points (bps) and anything over and above that would be given back to the participants.

Mr. Davie asked if The Hartford would adjust the fees on different funds to reflect the 11 basis points.

Mr. Trenerry noted The Hartford required the 11 basis points and everything would go back to the Plan over the 11 basis points. They would work out the fees by fund on a quarterly basis.

Mr. Picarelli stated they should look at all the investment funds to reduce the share class not exactly to 11 bps but bring it down to around 12 bps. He could work with Hartford to come up with opportunities to redesign the lineup to get close to 12 or 13 bps. The extra money went into reserves and then would eventually be returned to the participants.

Dr. Ervin commented for the record that Chair Sisco's statement from the newsletter on the \$45,000 budget savings was misleading because the actions the Committee had taken in cancelling the RFP and extending the contracts was a real cost to the participants. Those actions resulted in higher expenses and a lower crediting rate than would have been available through the RFP bids. He felt it was a misleading impression of what really happened on how the RFP was mishandled.

Mr. Davie noted there was a NAGDCA webinar available that dealt with general accounts and recommended the Committee members watch it. He also commented on the non-spousal beneficiary issue with The Hartford and questioned why the case was continuing.

Ms. Oliver noted the beneficiary and The Hartford were in negotiations and trying to come up with a solution. They continued to provide regular updates to her.

17. Adjournment

Motion made by Vice Chair Carlos Romo to adjourn the meeting, seconded by Mr. Brian Davie. Motion passed unanimously.

Meeting was adjourned at 3:06 p.m.

Respectfully Submitted,

Micah Salerno
Administrative Assistant