

**Brian Sandoval**  
*Governor*



**COMMITTEE**

**Rex Reed, Chair**  
NDOC

**Brian L. Davie, Vice Chair**  
LCB

**Karen Oliver**  
GCB

**Scott K. Sisco**  
NDOT

**Carrie L. Parker**  
*Deputy Attorney General*

**Tara Hagan**  
*Executive Officer*

**Nevada Public Employees' Deferred  
Compensation Program**

**DEFERRED COMPENSATION COMMITTEE  
SPECIAL MEETING MINUTES FOR**

**Thursday March 22, 2012, 9:00 AM**

The special meeting of the Nevada Deferred Compensation Committee was held on Thursday, March 22, 2012, at 9:00 a.m. in Room 2134 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](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](mailto:publications@lcb.state.nv.us); telephone: 775.684.6835).

**STAFF, BOARD, and ATTORNEY PRESENT:**

Tara Hagan, Executive Officer  
Jenny Potts, Secretary  
Rex Reed, Chair  
Brian Davie, Vice Chair  
Karen Oliver, Member  
Scott K. Sisco, Member  
Carrie L. Parker, Deputy Attorney General

**OTHERS PRESENT:**

Lyra Ambrose, ING (by phone)  
Jim Barnes, Retired  
Bishop Bastien, ING (by phone)  
Rod Crane, TIAA-CREF (by phone)  
Steve Ebert, Nationwide  
Michael Hackett, Hartford  
Mary Keating, Participant  
Julie Miramontes, Nationwide  
Kent Morris, Great West (by phone)  
Steve Platt, ING  
Carlos Romo, PhD, Retired  
Jim Spencer, Participant  
Robert Trenerry, Hartford  
Todd Theroux, Hartford (by phone)  
Tom Verducci, Hartford  
Steve Watson, 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: 00:01](#))

The special meeting of the Deferred Compensation Committee was called to order by Chair Rex Reed at 9:02 am, March 22, 2012, in Room 2134 of the Legislature Building, 401 S. Carson St., Carson City, NV. Members Present: Chair Rex Reed, Mr. Brian Davie (via teleconference in Las Vegas), Karen Oliver, Scott K. Sisco, and Deputy Attorney General (DAG) Carrie L. Parker.

B. Public Comment ([Audio: 00:01](#)) (Please see [Exhibit C](#) and [Exhibit B](#))

Chair Rex Reed discussed the statutory requirements regarding the current situations with the open RFP.

Mr. Jim Spencer spoke to the Board with regards to the RFP. He stated that the RFP is causing a threshold with the providers. He is concerned that if either one of the current companies does not meet the threshold, then the Board is turning away the companies that have performed adequately for a number of years. Mr. Spencer was also concerned that the Committee is not using the Purchasing RFP for the current process. ([Audio: 00:05](#))

Mr. Scott Sisco asked Mr. Spencer if they have any knowledge of the history regarding how the bids were put out in the past. Mr. Spencer noted that the using agency needs to be funded by public money so that is the reason why they went out of the process. Discussion ensued.

Staff indicated that the 2007 bid was not done by Purchasing, but rather was done by a consultant. In addition, Staff was not in place at the time of the 2007 bid and Purchasing was used as a clearing house only.

Vice Chair Davie indicated that the Board is following the required process of NRS chapter 333.

Ms. Mary Keating spoke to the Board and stated that she is a 25 year participant of the Plan and a former board member. She indicated that she agreed with Mr. Spencer with regards to a larger threshold to receive more competition. Ms. Keating also noted that there should be a guaranteed account. ([Audio: 00:11](#))

Mr. Sisco noted that the guaranteed account is an account through Hartford but we do not know where the monies go. He indicated that the concern is how the income is created. Ms. Keating noted as a participant, the monies went into Nevada Savings in the 1980s. Discussion ensued.

Chair Reed noted that the general account is an analogist bond which means we are loaning money to the Hartford. He also indicated there are creditor risks.

Mr. Sisco noted that a participant sent out a letter stating that the legislature passed a vote to allow up to \$100K in insurance. Ms. Keating noted that the committee must follow the vote that was approved by the Governor to insure the \$100K.

Vice Chair Brian Davie noted that the guaranteed account is only a guaranteed interest rate. He also noted that with the RFP process, Purchasing was only a clearing house.

Chair Reed noted on the last bidding for a consultant, Staff did reach out to Purchasing for help with the bidding.

Mr. Steve Watson spoke to the Board and agreed with Ms. Keating and Mr. Spencer. He indicated that he was not happy with not having a retiree on the Committee. Chair Reed noted that he is in tune with the retirees since he relates.

Dr. Carlos Romo presented his testimony to the Committee. ([Audio: 00:25](#)) (Please see [Exhibit C](#))

Chair Reed noted that during the last bidding session there were 7 bids and during the current bid, there are 9 bidders. Chair Reed also noted how a provider places the bid; there is a way to bid the business as a whole as well. Staff indicated that the 2007 bid was done the same way.

Staff noted that the insurance only kicks in should the insurance company become insolvent. Staff indicated what is in place with due diligence is done with Arnerich Massena, which are quarterly information with regards to ratings and capital that Hartford has. Staff also stated that the Committee created a backstop with regards to credit ratings. Should the ratings reach a certain mark, then the Committee will look for another investment alternative.

Dr. Romo asked the Committee if the bidding will result in a single provider instead of the 2 providers. Chair Reed indicated that there may be a single provider or a combination of providers. Discussion ensued.

Vice Chair Davie indicated that there is a misconception that the threshold applies to what the current providers have to the Plan. He also noted the threshold applies to all providers. Vice Chair Davie noted the threshold helps with receiving bids from firms who have experienced record keepers. He recommended that the Plan not be an experiment for an inexperienced record keeper in the Plan. Vice Chair Davie noted during the last RFP, the law required the Plan to have 2 providers. He indicated now the law has changed to allow the Committee to go with one vendor. Discussion ensued.

Chair Reed stated that if we were to structure ourselves so that the \$100K insurance kicks in, we would transfer the money for annuity to the insurance company and if they went bankrupt, we would be on the hook on the money since we are liable for it.

Mr. Watson spoke regarding the history of the guaranteed account if something was to happen to Hartford.

The AM Representative noted that the legislature required \$100K coverage from the insurance company. The Representative also stated that the nature of the Plan will need to be changed for this coverage to happen. He indicated that this would be changing the group funding into a group annuity.

Mr. Davie indicated that during the legislation session, the change of the structure of the NDC Program from changing from a group funding to a group annuity was not bedded in the legislation session. He also noted that the Committee did not know that having that coverage would require a company restructuring.

Staff introduced a response from RPEN regarding the RFP. (Please see [Exhibit D](#))

Mr. Rod Crane with TIAA-CREF spoke to the Board. He indicated that during the last bidding process, TIAA-CREF was not eligible. The Representative requested that the minimum requirement include companies with large plans with other tax codes such as 401(k) and 403(b)

The Hartford Representative spoke to the Board. The Representative discussed the long time liability if the participant annuitizes. The Representative indicated that once the participant's assets are removed from the Plan, the Plan is absolved from any future liabilities for benefits to the retired participants and Hartford now assumes that the benefit liability under the terms of the individual annuity arrangement.

#### C. Meeting Dates ([Audio: 00:57](#))

Staff presented proposed meeting date changes. Staff indicated that DAG Carrie Parker has prior engagements, which resulted in the date change recommendation.

- Wednesday, July 18 (instead of 19<sup>th</sup>)
- Wednesday, August 15 (instead of 16<sup>th</sup>)
- Tuesday, November 20 (instead of 15<sup>th</sup>)
- Wednesday, December 12 (instead of 13<sup>th</sup>)

(Please see [Exhibit B, Page 2](#))

Chair Reed requested that the Committee adds a special meeting to discuss Hartford selling out the retirement arm division. Chair Reed would like the meeting to be on April 4<sup>th</sup> or the 5<sup>th</sup>.

Mr. Sisco indicated that he is not able to attend the proposed meeting on April 5<sup>th</sup>. He stated that he is available for April 2<sup>nd</sup> and the 4<sup>th</sup>.

Vice Chair Davie stated that there is no change to the June meeting. He noted that the July meeting will work for him. Vice Chair Davie also noted that he has prior arrangements on July 19<sup>th</sup>.

Chair Reed noted that the proposed dates all work for him as well.

Mr. Sisco noted that he does not see having a meeting in April is needed since the Hartford is already selling out the retirement business. Chair Reed noted that they are not only selling the business but their bond rating has dropped to BBB.

Staff indicated that there have been significant developments with credit ratings. Staff noted that when the bond was purchased in 2007 the Hartford was an AA rating. But now there have been declines since then.

Chair Reed noted that it is important to get the information with regards to the sale of the Hartford retirement arm of the business.

Staff asked AM Representative if there is enough time to gather information prior to the meeting. The Representative noted that the more time given, the more information can be collected but believes that the information can be gathered by the April meeting.

**Motion made by Chair Reed to have a meeting on April 4<sup>th</sup> at 9:00 AM, seconded by Ms. Karen Oliver. Motion passed unanimously.**

**Motion made by Mr. Sisco to change the July 19<sup>th</sup> meeting to July 18<sup>th</sup>, seconded by Ms. Oliver. Motion passed unanimously.**

## II. ADMINISTRATION

### A. Discussion Regarding the following Service Provider RFP Minimum Requirement ([Audio:01:13](#))

Staff presented the RFP minimum requirements to the Board. Staff indicated that the firm needs to have at least 5 years of experience administering section 457 deferred compensation plans, currently administering a minimum of three governmental section 457 plans each with assets of \$500 million or more, ten thousand participants or more, and multiple payroll centers. Staff also stated that AM is recommending to expand the defined contributions to include 401(k) and 403(b). (Please see [Exhibit A](#) and [Exhibit B, Pages 1, 3-6](#))

The AM Representative noted that the intent of the minimum qualification is to find a good partnership with regards to record keeping and to find a firm that will work well with the Plan.

Vice Chair Davie asked Staff if adding a qualification that allows firms who administer 401(k) and 403(b) plans to bid, are we keeping the same standard of \$500 million and ten thousand participants under this umbrella as well. Staff stated that this was the intention to expand.

The AM Representative noted that they would urge the Committee to keep the threshold at \$500 million and ten thousand participants with multiple payroll centers. The Representative indicated that there will be 3-5 providers who will qualify under all three requirements. He also noted that if the Committee changes the specs from 457 to defined contributions, there may be 8-10 firms who will qualify.

Chair Reed pointed out that there are two questions; whether to open up the bid to include defined contributions and how do we interpret the requirement of \$500 million plan participation in the bidder's history. Chair Reed recommended that the Committee separate these questions individually and discuss.

Mr. Sisco stated that he has heard from a few participants who are not happy with losing the general account.

Chair Reed noted that the contract does not end until December 31, 2012. He stated that if the RFP process gets pushed out, the decision needs to be done by this time. Staff noted that it will need to be done prior to the deadline due to the transfer of assets.

Staff noted that in the market place in the general account is not going to be 4%. Staff also noted in a general insurance account, those assets are owned by the insurance company and not in a trust. Staff indicated that all assets in the Plan are in a trust. Staff also noted that with regards to the 401(k) partners, this type of general insurance account is not allowed and is illegal with regards to ERISA standards.

The AM Representative agreed with Staff.

Mr. Sisco stated that the participants he has talked to would like to keep some of the money in the general account and that it is important.

Chair Reed noted that the agenda item is composed of two parts. Chair Reed asked if the board is going to expand the ability of bidders who are in any kind of deferred compensation program to participate in the current bid.

Vice Chair Davie would like to see the number of firms who would like to expand the qualifications of the RFP to include the defined contributions. He noted that the Plan needs to have standards.

**Motion made by Vice Chair Davie to amend the criteria for the RFP to regard that the bidders experience including administering a portion of 457 Plans in reference to the criteria that is current and opening it up to defined contributions instead of limiting to just 457 Plans, no second. Motion died.**

**Motion made by Chair Reed that the RFP be interpreted so that the definition of \$500 million Plan includes that a company qualifies to bid if it has a portion of the \$500 million in a 457 Plan, seconded by Vice Chair Davie. Motion failed 2-2.**

Mr. Sisco understood that this motion precludes the Committee to re-look at any other possibilities of someone bringing something to the table with regards to guaranteed interest accounts. He would like to amend this motion to meet the needs of the retirees. DAG Carrie Parker noted that according to the open meeting law the Committee cannot take action.

Chair Reed noted that Mr. Sisco's concerns are tied to the motion but does not affect the motion. Chair Reed noted that someone can still bid if they have a general account. Discussion ensued.

Chair Reed stated that the RFP does not allow for a general account but allows for synthetic GICs and a separate general account. He also stated that the industry is moving away from this kind of general account because they cannot control the risks.

Staff noted that the difference is a separate account to allow assets to be held by a trust instead of an insurance company. Mr. Sisco asked Staff where the money in the general account will be moved. Staff responded that it is all with the bid process and it looks for firms that can provide to the Committee record keeping and provider services. Discussion ensued. ([Audio: 01:44](#))

Mr. Sisco asked the AM Representative what will happen later on, if there will be tools that will be needed. He also asked if the RFP will give the most opportunities to have those tools at the time. The AM Representative indicated that the 457 providers will have these types of vehicles.

Mr. Sisco noted that the RFP is not different than the one used for years. Staff noted that the RFP has changed some due to the change of the consultant. Staff also noted that the change is due to the Committee's desire to not offer a general account in which the assets were not segregated from the insurer.

Chair Reed noted that there are several general accounts and the RFP does not allow a separate general account and the synthetic GIC.

Mr. Sisco noted that he was concerned whether this motion is allowable and if it leaves the \$500 million in place. If this is the case, Mr. Sisco indicated that he does not support it. Chair Reed noted that the requirement includes that if a firm participates in a plan with \$500 million or more and has a portion of that, that firm can bid.

Mr. Sisco asked if the existing providers qualify for the bid due to the partial \$500 million requirement. DAG Carrie Parker noted that according to the open meeting law and the requirements from Purchasing, the bidders cannot direct questions to the Committee. The DAG asked that Staff does not answer the questions because it gears the providers.

Chair Reed noted that the reason for the special meeting is to determine the definition of the \$500 million requirement. He indicated the way the definition represents is as long as the bidder has a portion of the \$500 million, the firm may qualify.

Vice Chair Davie noted that the motion is to open up the possibilities. Discussion ensued.

Chair Reed commented that if the motion passes, it would open the process to more bidders. Staff noted that if you are more restrictive, then there maybe 3-5 bidders. Staff also noted if only putting in a portion, that would increase the number of bids. The AM Representative noted that according to his estimation, if the bid opened up to defined contributions rather than just to 457 plans, then it would allow several large providers to bid.

Mr. Sisco would like to have this on next agenda with more information.

Chair Reed noted that since there was no motion, the RFP will continue as is. Vice Chair Davie noted that now the RFP is more restrictive, then it won't allow more bidders. He noted that being most restrictive will not be the best for the Plan.

Chair Reed indicated that not only is the RFP restrictive; it opens up to a court challenge to whoever gets the bid. Mr. Sisco indicated the intent was not to make the RFP more restrictive but rather how the RFP is structured and to make sure it provides the most flexibility and make sure it meets all needs.

**Motion made by Mr. Sisco to recommend that at next agenda, that the Committee will add an agenda item again on the bid to clarify the intent of the criteria and provide additional information rather or not a general account will be allowable to what the bid calls for, no second. Motion died.**

Ms. Oliver asked the DAG Carrie Parker to clarify what Mr. Sisco had motioned. The DAG noted that Mr. Sisco requested to table this issue until next meeting and that the agenda explains not only the question of the \$500 million and number of participants but also add a discussion regarding the general account and how that will be addressed in the RFP.

Chair Reed noted that the RFP will continue as is since this issue was on a public agenda and the board took action. He noted that any bidder can go to court after the final decision due to the ambiguous nature in the RFP and the Committee did not act upon it once the question was raised. Chair Reed indicated that the RFP is flawed which opens up to litigation.

Mr. Sisco asked Staff if there will be a delay with the deadline for the RFP. Staff noted that there will be several changes to the timeline of the RFP. Staff also indicated that the deadline for questions has already passed and Staff is required to respond to all of those questions. Staff noted that it may have to resubmit the RFP and restart the timeline again. The DAG noted that this is true and that this would reset the timeline. Discussion ensued.

Staff noted that it is required to answer the questions made by the providers and if this process keeps moving, Staff will not be able to answer the questions.

Mr. Keating noted to the board that if Staff does not answer the questions by the date, the RFP will be invalid. She also noted that the monies in the guaranteed account will not be mapped to the same option. She stated that she is questionable to include the 401(k) and 403(b) in the bid.

**Motion made by Chair Reed to have at least a portion of a plan with the \$500 million and a portion of the 10,000 participants can bid, seconded by Vice Chair Davie. Motion passed unanimously.**

Mr. Sisco asked if this alleviate Ms. Keating's concerns regarding the general account. Ms. Keating stated that the board needs to move the motion with regards to the RFP. She also commented that the Committee will need to amend the motion to allow the general fund as current. Chair Reed commented that the concern regarding Hartford will be on the April agenda.

Staff asked the AM Representative if the RFP precludes someone from bidding a general account that is not separate. The Representative indicated that he would refrain from giving an answer.

Chair Reed recommended adding this information on next agenda.

**Motion made by Vice Chair Davie with regards to qualified bidders experience to require to be administering a portion of the 457 plans with multiple payroll centers, seconded by Chair Reed. Motion passed unanimously.**

**Motion made by Vice Chair Davie to not limit to just 457 plans, but to expand the criteria to bidders with defined contributions, seconded by Ms. Oliver. Motion tied 2-2. Motion died.**

Chair Reed asked Staff if the RFP changed, will this change the timeline. Staff stated that it may need to be extended, which will be shorten the time before the June meeting. DAG agreed with this and recommended to extend the deadline since this will open up for more bidders.

Mr. Sisco is concerned that extending the deadline of the RFP now, will cause the board to extend it again. He asked Staff if this will give enough time without having to extend in April or to wait until April's meeting. Staff noted that this bid is for an administrator and someone to provide participant services. The investment consultant will advise on decisions on investments. Mr. Sisco recommended waiting until April to continue with this discussion. Staff noted that this would extend the RFP by a month. Discussion ensued.

Mr. Sisco recommended adding to the motion to extend the comment days by 30 days.

Chair Reed noted that he is not going to approve Vice Chair Davie's motion because he does not want to extend the timeline or split up the timeline. Vice Chair Davie noted that he wanted

to broaden the universe. Vice Chair Davie noted that if the deadline needs to be extended, then that would be a good choice to move forward.

Vice Chair Davie recommended changing the motion to include defined contributions.

Staff noted that the requirement is that the firm must have at least 5 years of experience administering a portion of section 457 deferred compensation plans, of which the plan meets each criterion in total assets, participants, and payroll centers.

III. COMMENTS/UPDATES ([Audio: 02:48](#))

A. Investment Consultant/Service Providers

- The Hartford Representative addressed a prepared statement to the board with regards to the selling of the Hartford retirement business. ([Audio: 02:49](#))
- Chair Reed requested that the Hartford Representative forward a copy of the testimony to the board. The Representative noted that the testimony will be forwarded to Staff.

B. Deputy Attorney General had nothing to comment

C. Committee Members – No comments

D. Staff – Staff stated that there will be a newsletter drafted and going out the first week of April but the mailed newsletter will be going out afterwards.

Mr. Sisco asked Staff if the Hartford letter will be on the newsletter. Staff stated that it will post the letter and have the information in the newsletter.

IV. PUBLIC COMMENTS ([Audio: 02:56](#))

- Mr. Spencer thanked the Committee, Staff, and legal counsel for their preparation and professionalism.

V. ADJOURNMENT

The meeting was adjourned at 12:09 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            Staff Memo, Service Provider Request for Proposal Clarification Regarding Minimum Qualifications
- Exhibit B            Staff Presentation, Pages 1-6
- Exhibit C            Is the testimony from participant Carlos Romo, PhD, Retired
- Exhibit D            Is the response from Mr. Martin Bibb, Executive Director of RPEN