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Nevada Public Employees' Deferred Compensation Program

DEFERRED COMPENSATION COMMITTEE SPECIAL MEETING TRANSCRIPT FOR

Wednesday April 4, 2012, 9:00 AM

The special meeting of the Nevada Deferred Compensation Committee was held on Wednesday, April 4, 2012, 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 "transcript," 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
Brian Davie, Vice Chair
Karen Oliver, Member
Scott K. Sisco, Member
Carlos Romo, Retired
Jeff Menicucci, Deputy Attorney General

OTHERS PRESENT:

Bill Abramowicz, Hartford (by phone)
Mark Anastas, Retired (videoconference from LV)
Jim Barnes, Retired
Bishop Bastien, ING
Marty Bibb, RPEN
John Borne, Nationwide
Robert Burd, Retired (videoconference from LV)
Matt Condos, ING (by phone)
Michael Connelly, Hartford (by phone)
Janet Corral, Hartford (videoconference from LV)
Darrell Craig, Washoe County
Jim Crawford, Retired
John Crawford, Retired
Howard Goodman, Retired

Michael Hackett, Hartford
Ellen Hall, HIMCO (by phone)
Chris Hanlon, HIMCO (by phone)
Jake Honea, Hartford
Harriet Jacobs, Great West
Mary Keating, Participant
Terri Laird, RPEN
Don MacQuattie, Hartford (by phone)
Brian Merrick, ING
Julie Miramontes, Nationwide
Sandie Mix, Retired (videoconference from LV)
Jeff Morrow, Hartford
Bonnie Nishikawa, Retired
Kiyoshi Nishikawa, Retired
Mike Nolan, Retired
Marlene Oien, ING (by phone)
Jake O'Shaughnessy, Arnerich Massena (by phone)
Kent Perry, GCB (videoconference from LV)
Steve Platt, ING
Keith Rheault, Retired
Robert Trenerry, Hartford
Todd Theroux, Hartford (by phone)
Tom Verducci, Hartford
Duane Warth, Participant
Steve Watson, Participant

These transcripts 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.

TARA HAGAN: Yes, it was posted in accordance with the Nevada Open Meeting Law.

CHAIRMAN REED: Thank you. I would also ask Mrs. Potts to indicate that we have a full Committee, all members are present and having said that, I would like to thank the Governor and his staff for appointing Mr. Carlos Romo to our board as the Retiree Representative and we all say welcome, Mr. Romo.

CARLOS ROMO: Thank you. It is a pleasure to be here.

CHAIRMAN REED: Thank you. I would also like to thank Mr. Jeff Menicucci who will take the place of Carrie Parker as she cannot attend. He is the Deputy Attorney General's Office Representative that helps our Committee today, and having said all that, roll call is now been in order, we will move on to the next order of business. On second thought, I am going to step back a little bit and also indicate who is calling in on the program. I have call-ins right now as Matt Condos of ING, Marlene, and I am going to ask Marlene if she is out to pronounce her last name so I don't mispronounce it.

MARLENE OIEN: It is O-I-E-N.

CHAIRMAN REED: Okay, Oien. Welcome. And I see that Jake O'Shaughnessy is with us by telephone, Todd Theroux of Hartford, Bill Abramowitz of Hartford, their representatives from HIMCO, and then we have people who might possibly call in later, Don MacQuattie, EPFTEM Market, Ellen Hall of HIMCO, Bill Abramowitz. I have already mentioned him but he might call in later with Hartford, Michael Conley, Executive VP of Finance at Hartford and Chris Hamlin also of HIMCO. If there is anyone else that is calling in and I did not call their name, please identify themselves now for the record. Hearing that, I will proceed. It has just been suggested to me and I do think it is a good request that if you are calling in, we would ask that you put your phone on mute until you are ready to speak and therefore, we won't get any background noise over the PA system. We will now go on to the Agenda Item 1B, Public Comment. I would like to read a quick statement about public comments and then I would ask anybody who would like to make public comment to come to the table, please, and we will start in

Carson City. I see that we do have people in Las Vegas. We won't overlook you. We recognize you now and we will come to you after we are done in Carson City. It sounds like somebody just joined us by telephone. Would you like to identify yourself?

BILL ABRAMOWITZ: Mr. Chairman, Bill Abramowitz.

CHAIRMAN: REED: Thank you, Mr. Abramowitz. As for the statement about public comment: "No voter action may be taken upon a matter raised under this item of the Agenda until the matter itself has been specifically included on an Agenda as an item upon which action may be taken according to NRS 241.020. Comments will be limited to five minutes per person and persons making comment will be asked to begin by stating their name for the record and to spell their last name. The Committee Chair may elect to allow additional public comment on a specific Agenda item when that item is being considered. I see that we have two people at the table, so I will ask ladies first, Mrs. Keating. If you would identify yourself for the record and spell your name please.

MARY KEATING: Good morning, Mr. Chairman. My name is Mary Keating. It is K-E-A-T-I-N-G and I apologize, I have a cold today. Thank you for this opportunity to appear here today. I just wanted to talk quickly so they don't duplicate what Mr. Watson is going to say, but I concur with what he is going to represent. The Hartford General Account Investment Option, which is Item 2D, for your consideration, the only item that is listed for potential, possible action, one of the things that concern me on Monday receiving your newsletter is the representation that that entity that holds that account has had a bond rating drop and I think you are going to hear from Hartford later today, but that may not be the same entity and I just want to make sure that we are real careful that we tell our participants things that are, that the entity that holds their account, we talk about that entity's bond rating, maybe not a related party entity. I think what was happening is, it caused me to call Hartford. It caused others to call Hartford and inquire about that and, and based upon what they represented to me, that is not the same entity and I just think it is very important that we have due care and make sure that we pass out correct information to our participants. As we talked the last time, this is a major investment option. We may have a couple dozen investment options and have for many, many years having Stable Value Accounts for many, many years, but this is a very popular item with our participants. I would never suppose that I am smarter than my coworkers. It is there own personal money. If they chose to put their money there, and that seems to be a consistently popular item. It is very similar to a certificate of deposit at a bank, there it is something that the committee should consider. But, I think it is very important that we're factually correct when we send information out in our newsletter. Thank you.

CHAIRMAN REED: Thank you, Mrs. Keating. Mr. Watson?

STEVE WATSON: Thank you Mr. Chairman. My name is Steve Watson, W-A-T-S-O-N, Retired Public State Employee. Yesterday, I was fortunate to attend the local chapter, Carson City Chapter of RPEN and got to speak to those members there about what was happening with… in deferred compensation and took a short petition there and had people sign and I would like to read this into the record and then provide it to your secretary. Date: April 3, 2012. Subject Retained: Current general guaranteed interest account. We, the undersigning here, support leaving the current General Guaranteed Interest Option in place through the current contract period that expires 12/31/12. Further, we support having some type of option in place that provides a guaranteed interest rate in the next contract period and I have 17 people signed and they printed their name and they signed their name. So, I have entered that into the record.

CHAIRMAN REED: Thank you, Mr. Watson. As people in Carson City clear the table to make room for others, I would ask of people…

VICE CHAIRMAN BRIAN DAVIE: I have a quick question.

CHAIRMAN REED: Oh, I am sorry. There is a question from the Committee.

VICE CHAIRMAN DAVIE: I just want to clarify, Mr. Watson, that your, you know, you are on our newsletter as a consultant for Hartford and also as a paid lobbyist for Hartford, and I want to just clarify is your testimony related to Hartford or is it… I am just curious who you are representing when you are speaking?

STEVE WATSON: Thank you, Mr. Chairman and Mr. Davie. That is true that I am a consultant with Hartford and listed on the newsletter as that, but I have tried to be very, you know, off Hartford on any of these things. I have not used that word, not used the company. I am not representing them. I have represented myself on all of these, on all of these matters and any time that I have done that and, you know, if there is any question, I don't want any conflict of interest.

CHAIRMAN REED: Thank you, Mr. Watson. Any other questions for the two at the table from the Committee members? Seeing none, I thank you. And, while they are clearing the table in Carson City, if any anybody in Las Vegas wants to testify, please feel free to come to that table so I can see that there is somebody ready to speak in Las Vegas. Sir, go ahead and identify yourself and spell your last name, please.

KEITH RHEAULT: All right, thank you Chairman Reed and members of the committee. I am Keith Rheault, R-H-E-A-U-L-T. I am Retired State Employee as of Monday after 26 years, and noticed on the Agenda that there was discussion. I am here specifically for Agenda Item 2D, which is the Hartford General Account. I do have concerns. As a state administrator for many years, I do know it was probably the most popular choice among my former employees that I had working with me and I don't have the data to show that, but it also one that I chose and that's why I am here today. I retain an account with Hartford as retired and want to make sure that the General Stable Account remains in here. I am not sure how the Agenda or why the Agenda item. I know the contract ends on it but I… I wanted to give my full support to retain Hartford. Their service has been good. The account has been stable. You know, you can count on the four percent currently. You know, it was better in previous years, but … you know, I wanted to take the time even though I am in my second day of retirement to make sure I got my message and support for a stable account and hopefully when you have the discussion later on in the Agenda that you will take that into consideration. Thank you.

CHAIRMAN REED: Thank you and congratulations on your retirement.

KEITH RHEAULT: Thank you.

CHAIRMAN REED: You are welcome.

VICE CHAIR DAVIE: Mr. Chairman.

CHAIRMAN REED: There are questions, sir? Mr. Davie.

VICE CHAIR DAVIE: Actually, I don't have a question. I just wanted to say, congratulations on your retirement too and I have observed you many times, you know… in the Las Vegas office of LCB and I have seen you testify on the camera many times over the course and I just wanted to thank you for your service to the state. I have always been impressed with your knowledge and your contributions to the education system.

KEITH RHEAULT: Thank you very much. It much easier when you are not getting paid… you are just here on your own, so you can leave or do whatever your want, so thank you.

CHAIRMAN REED: Thank you, again. Any other questions? Seeing none, thank you.

MARTY BIBB: Thank you Chairman Reed. For the record, My name is Marty Bibb and I am the Executive Director of the Retired Public Employees of Nevada. My last name is spelled B-I-B-B, and I thought just very briefly if I could explain a little bit about RPEN, and I know briefly means five minutes. So, I will try to be crisp about it. RPEN is an organization that represents Retired Public Employees; city, county, state, school district, police, fire, etc. We were founded in 1976 to address issues affecting Retired Public Employees. PERS, as you know, was formed in the late 40s in response to Nevada being one of the last states to offer a public employee retirement system. In that process, some of the folks who led PERS in the early days came up with the first executive officer. Mr. Buck was one of the founders of RPEN. What folks discovered committee is that in those days, you would find that the retirement benefit that you assumed is going to be adequate when you retired began becoming eroded by inflation because in the day there were no statutory cost of living increases, post retirement increases as PERS refers to them. So, you had to go to each individual session of the Legislature, which is, dare I say problematic, with all due respect to someone with LCB. Mr. Davie knows well those issues. But, in any event, PERS was really basically set up to provide a retirement base income, if you would. It was not ever intended to be a full retirement benefit, and I think it had been referred to by a number of PERS' representatives over the years as sort of a three-legged stool. Well, it can be a bit wobbly from time to time because as many of you know, and hopefully aren't learning from me today, PERS benefits, or pardon me Social Security benefits, which is one of those legs, can differ very greatly upon when you are first eligible to retire. Some folks have fairly full PERS or Social Security benefits, pardon me; however, they are folks who are in most cases quite, quite a bit older and retired several, several years ago. But, with that said, the PERS benefit as a base income and then whatever Social Security you get, which as many of you know, is reduced by either the government pension offset or the Windfall Elimination Provision of the Federal Law can reduce those or eliminate those Social Security benefits in total. So, the other income, the third leg, the PERS and whatever Social Security may be there, would certainly be other outside income, and for many people, this program has been an extremely valuable and important tool to their retirement over the years and that… that is sort of where we come… come in. We have been for many years monitoring the PERS meetings as well as the Committee on Benefits. I believe, perhaps, Ms. Keating served on that when it was a Committee on Benefits; if not, when it became a Public Employee Benefits Program in 1999. That also was a major consideration because health care erodes so much more of available income at the time a person retires after the time. So, with that said, we have also participated in Deferred Compensation as an organization. RPEN has 9,500 dues' paying members across the State and around the United States as well. But… but this is a very important program to us and I would just like to make in closing a couple of brief observations. First, we are all, we are very pleased to see that Dr. Romo is selected to fill the retiree position on this Board and we have been in touch with your Executive Officer and others because in the past we have also worked to try to be a part of the appointment process to the best of our ability. Of course, as you know, it is a little different in terms of the recommendations that have to be submitted to serve on this august body. It's somewhat different for the other entities where Public Employee Retirees are appointed to fill positions. But, also, we think that there are seriously differing needs based on what precise condition an individual retiree is in and we think that the broader the range, because of those differences of options that can be offered through this important program, the better it is and we basically attend all of these meetings wherever we can, and we are going to try to continue to do so, and we very simply want to applaud the Board for the, or Committee for the important work it does in managing this element of retirement, which is so crucial to some many retirees, because without it, quite frankly, most people when you consider the average retirement benefit today through PERS this year is about $2,700 a month for regular members. It is slightly higher, it is about $4,200 or 4,300 for police/fire. But, absent some other outside income, that certainly is not going to prove very adequate, so with that said, I will conclude my remarks. If there are any questions, Mr. Chair, I would be happy to try to answer them.

CHAIRMAN REED: Are there any questions from the Committee? I don't have a question but I have a comment, which is Mr. Davie is not the only one that knows that budget sessions can be problematic.

MARTY BIBB: No. I knew that there would be several that I omitted, but maybe that was just being kind to them. I've had to work very directly with Mr. Davie and proud to say so over a number of years, but we are all looking forward to that day, I think, and Dr. Romo should be very happy for this cheery day.

CARLOS ROMO: Yeah… I have a question.

CHAIRMAN REED: Dr. Romo.

CARLOS ROMO: Thank you for the comment and I am retired, a member, of course, of RPEN. Do you have any idea, Mr. Bibb, as to of the 9,500, how many people are in the General Guaranteed Interest Account and how many are in the Stable Value?

MARTY BIBB: You know, we don't and it's… to give you an idea of the challenge, Dr. Romo, we are… One of the issues we do is we… every even numbered year, we ask candidates for this legislative building, folks who want served during the session, questions regarding particularly PERS and health care issues. In the process, we don't yet have a good clear handle, for example, on how many people. We know everyone is in PERS, but we don't have a good handle on how many people are actually in the State's Group Health Plan because you know over the years it has been opened up to not only State, but local government entities as well. On of the things we could do in an upcoming newsletter, and I appreciate the remark, as it helps us do our job better as we see it, and that is we could ask members who get our newsletter if they would notify us either in writing, by phone call, or by e-mail or fax or something if they participate in deferred comp and in that process perhaps we can try to get to get to a couple or three sort of answers that might address your concern as to how many would elect this versus that and of course, risk and rate of return and age and all that sort of thing are all intertwined. So…

CHAIRMAN REED: Any other questions from Committee? Yeah, Mr. Davie?

VICE CHAIRMAN DAVIE: I am always curious about this with lobbying groups as well. How do you assess or how do you get to your positions. You know, from your, you know… You indicated you have over 9,000 members in RPEN and so how do you determine what positions to take on issues? Do you do surveys of her membership or, how do you come to a position on issues with the consent of your membership, I guess is what I am asking?

MARTY BIBB: We have a Legislative Committee that is appointed by the State President and the Legislative Committee meets and discusses the issues that are out there and will consider the issues that the organization supports and then the Legislative Committee will take those and go forward and our annual… our Board of Directors meets on an annual basis and they too have a say in those positions.

CHAIRMAN REED: Are there any other questions from Committee? Yes, Mr. Sisco.

SCOTT SISCO: Mr. Chairman not necessarily a question for our speaker, but I would like to just kind of touch on the subject real fast, especially before we get into the presentations if I could. I know I was really vocal at the last meeting, in particular about my concerns about making sure that we took into account the participants', you know, concerns in particular over this whole general account issue and everything else, and clearly you know, again he is the new guy now but I was the new guy and you are trying to learn everything and staff and, and Jake in particular did a good job yesterday. They sat down with Karen and, I think, for almost two hours, and… because I needed to understand. I clearly, and I think I was making the same, having the same misunderstandings of a lot of participants and everything else were, but there was a lot of reason behind that too. Based on the way information was coming out and everything else, there is a lot of confusion over what the General Account is versus what a Stable Value Account is and what we could or could not get out of this RFP process. And, as a result of those two hours in the end, I got a lot better understanding of the fact that the Stable Value Account ultimately, because again, we can't do anything about the fact that Hartford is selling their business. That is going to be what is going to be, but ultimately we are going to be able as a Committee to determine if we want to provide a Stable Value Account that has the same assurances, you know, that the participants are getting now from the Hartford General Account in regards to having their, you know, investment protected and having a guaranteed rate of return, so I would ask the participants today to listen closely. I would ask the Chair maybe to open it up to a few additional questions when we get to that particular line item on there if their questions aren't answered, because what we determined yesterday, what I think we all clearly came to the conclusion was there is a lot of misinformation and there is a lot of misunderstanding. But, again, I came out of that in two hours understanding that ultimately, we as a Committee will be able to sit down as we evaluate the RFPs and to provide an option if the Committee so determines that will give a, you know, guaranteed protection on the, you know, on the principal and a guaranteed rate of return if that is ultimately what is determined, and this type of process where we hear how important this is intrincal to us understanding that so that ultimately we can make the best decision possible.

CHARIMAN REED: Thank you, Mr. Sisco. Any other comments, questions from the Committee? If not, I think I… would probably best to ask Ms. Hagen, did you have any question or comment because it appeared you did want to speak?

TARA HAGAN: I did, thank you, Mr. Chair and kind of to piggy-back on what Mr. Sisco said, I want to thank Mr. Bibb for having a conversation with me yesterday and along the lines of education, we hope to work with RPEN and the membership to get presentations obviously to our employees and participants here that are current employees, but also utilize RPEN to do some of those meetings as well. So, I want to thank Marty for making that information available so we can continue the education process with our members.

CHAIRMAN REED: Any comment or question after Mr. Hagen's statement? Okay.

MARTY BIBB: Well, I guess, in my… This is Mary Bibb again, Mr. Chairman. In departing, which is probably a welcome for everybody, I must apologize. Mr. Sisco viewed my presentation today as a speech. I hope it wasn't. Though, I probably tested the five minute rule. So, I apologize here. Thank you again.

CHAIRMAN REED: Mr. Sisco?

SCOTT SISCO: No Sir. Not… not at all. I just wanted to put that out there because… and in particular, I wanted to make sure that the audience members and what not knew today that if there was anything that did not come out of the presentation that we are about hear… that we are going to hear this morning that they speak up so that we can… we can clarify because I may still… I am sure I am. I am still missing a lot. But I, no. I did not see that as… not at all. This is the part in my mind that's critical too. We need to understand as Committee members that there is a concern out there that… that an option that is extremely important to the participant, you know… you know, is being threatened whether by Hartford's exit, you know, exit out of this business or whether or not it is being, you know, perceived to be threatened based on what our actions may be. So, we need to understand the participants are concerned, but at the same sense, if what I am being told is correct and what we are being told is correct, is that there is a way that we are going to be able to continue to provide the most important, you know, things critical to the retired folks. We want to make sure that all of our questions get answered today. Thank you.

CHAIRMAN REED: Wait. Mr. Bibb. I see that Mr. Davie's…

VICE CHAIR DAVIE: No.

CHAIRMAN REED: Oh, okay.

VICE CHAIR DAVIE: I'm sorry. I am not trying to keep you at the table, Mr. Bibb. I just wanted to make a comment based on Mr. Sisco's comment. And, I want to admit. I was frustrated last… at the last meeting. And I just want to thank you for your comments this morning. I appreciate the time that you and Karen spent with our staff and invested in consulting yesterday and I am glad to hear that there was some clarification. And I do want to express some sympathy to the new members because this is the worst possible time to join this Committee during the RFP year, and you know, like I said, I was frustrated last time because, you know, I am sure for Rex and I, we have been going through this the last couple of years. If anyone looks at the minutes, you can see that we have been delving into this issue many, many, many times. None of this was new to us anyway. The people that have been on the committee, the staff that had been working on these issues you know maybe we haven't done the best job of educating everybody about it you know, when we get to this point, obviously that is when the interest peaks and you know, and then of course with the other events that are going on now, that makes it even more critical and interesting, I guess. But, I guess I just wanted to express my sympathy and my appreciation to the new members for your efforts in getting up to speed, and again, like I say, we have been… this isn't new. None of this that we are talking about is new and this Committee has gone over it many times in the past couple of years and we have been delving into this trying to understand the General Account, what the risk is to the participants along with the reward, and that is what we were always trying to balance here for the participants and so I just wanted to express that and thank you.

CHAIRMAN REED: Thank you, Mr. Davie. Anybody else in Carson City like to make a comment, please come to the table, state your name and identify yourself. I am sorry, identify yourself and then also spell your last name. Thank you.

HOWARD GOODMAN: I am sorry, can you hear me better now.

CHAIRMAN REED: Yes we can.

HOWARD GOODMAN: Okay, again my name is Howard Goodman, G-O-O-D-M-A-N. … my wife was a Professor and Department Chair at the University of Nevada for many years, 38 years. She retired recently. … for 20 years, since 1992, she has been a participant in the State of Nevada Deferred Compensation Plan. She had an important medical appointment this morning that could not be rescheduled. She would have liked to have come here and spoke to you. She asked me to come and speak on her behalf and on behalf of a number of other plan participants that she has talked to over a period of time, over many, many years. Several important factors influenced her decision to participate in the State's Deferred Compensation Plan. It was not a hasty decision. It was something that was carefully thought out. First, she was impressed by the fact that plan participants had at least two respected providers to choose from, that they had the ability to make that choice. They could evaluate the providers, what the providers had to offer in terms of investment options, advice, background information, whatever. She appreciated it. There was a choice of two providers. Next, she was very encouraged to learn that the providers provided what she considered, and many consider, an appropriate choice of investment options; not one or two, not only proprietary funds, that they had what she considered a very appropriate menu of investment options. Next, she was very comfortable knowing that the plan providers had representatives on the ground here in Nevada that she could talk to when she felt the need to for advice regarding allocations, investment options so that she could make informed choices with this very important process of investing retirement funds. She considered that personal and professional service to be invaluable and has taken advantage of it many times over the years and feels as though it has helped her to make very good choices in her investments in her Deferred Compensation Plan. As we all know, not all investors are created equal. Each has their own comfort level when it comes to risk tolerance and risk aversion. Younger plan participants are more likely to weight their investments towards more risky equity investments. As they age and come closer to retirement, participants are more likely to become more conservative, weight their retirement accounts towards safer fixed income investments. Many plan participants, and I would stress many, that are nearing or at retirement age have been particularly attracted to the security of a Fixed Income Option with a guaranteed rate of return over a set period of time. This may not be for everybody, but as we all know, the older you get, the more conservative you get. You sometimes change the focus of your investment options, and particularly in retirement accounts. There is something very comforting, very reassuring about knowing that you have an option available that you can put your money into that will pay you a fixed rate of return, that you know what that return is and for what period of time. … to put this matter… to put this matter in some perspective, and with all due respect to the Committee, I would ask on behalf of my wife and all participants in the State of Nevada Deferred Compensation Plan that the Committee consider the best interest of the plan participants as their highest priority. I think that that's the basic charge of the Committee and I believe that it is generally considered that the Committee has always functioned with that thought in mind and I think that most people would hope that that would continue. An issue that comes up over and over again is the issue of choice when you talk to people that are participants in the Deferred Comp Plan, or for that matter any retirement plan. Participants like to know that they have a choice; that they have a choice of providers, that they have a choice of investment options that they consider appropriate. One final comment that I would make. It is my understanding that there is currently a request for proposals out for new contracts for providers for the Deferred Compensation Plan. It is a very, very important decision. It will affect people's lives and their investment accounts not just on a one-time basis, but for years and years to come. I would encourage the Committee not to make hasty decisions on any of the issues that are currently before them. As I truly believe that you will and have always done, I would hope that you would take your time, consider all of the factors and make an informed decision in the end and to that end, I would urge the Committee to maintain at least two respected providers for plan participants to chose from and providers that will offer a menu of investment options that are appropriate for plan participants at all stages of their career and their retirement. I thank you very much for your time and if there are any questions at all that I can answer, I am more than happy to do that.

CHAIRMAN REED: We will start with Mr. Romo, or Dr. Romo, excuse me.

CARLOS ROMO: That's alright. Thank you for being here, Mr. Goodman. What is your wife's name.

HOWARD GOODMAN: My wife's name is Louann Nissen.

CARLOS ROMO: Will you spell her last name for us?

HOWARD GOODMAN: N like Nevada, I-S-S-E-N.

CARLOS ROMO: Okay. Are you going to submit that in writing too for the Committee? Are you going to submit anything on her behalf in writing?

HOWARD GOODMAN: I will be more than happy to. I can certainly give you a copy of… of my notes if that would help, or if there's any other…

CARLOS ROMO: Sure, that would be… that would be sufficient. I appreciate that as well. I just wanted to reassure you that in my role, and I am sure I can speak for all of the Committee members, the participant's welfare and interest is paramount. That is truly what is important. You know, I wouldn't be here otherwise.

HOWARD GOODMAN: I know that and I think that as a general statement, if participants did not feel that way, they would not be participating in the plan and the numbers that they have. I think that that is… I think that is testimony to their confidence in the plan and in the Committee.

CARLOS ROMO: Thank you.

CHAIRMAN REED: Mr. Davie, did you want to speak?

VICE CHAIR DAVIE: Yes, and just to follow up a little bit. I just wanted to clarify for you as well that we… not only is it our fiduciary responsibility to take actions in the best interest of the participants, it is also our statutory responsibility because that is in the statutes that govern this Committee, so I just wanted to assure that is definitely in all of our minds when we make decisions on this Committee. The other thing I want to point out, and hopefully this will come out more in the discussion that is going to come, but I think one of the statements you made kind of reflects on part of the misunderstanding that is out there about this process and you indicated that… that you liked the, I can't remember your exact words, but basically the choices that were provided by the providers. But, I want to just point out that the providers don't make the investment option decisions. That is the charge of this Committee. You know, they might suggest options, but the reason we have an investment consultant is to be able to look out in the universe of options out there and bring back to us what… what they think the best options are out there that are available, and from those best choices, hopefully we make the best choice that benefits all of our… all of our participants. But, it is not, you know, and again the investment world has changed. The deferred compensation world has changed since we last went through this RFP. We did… the last time we did the RFP, we did ask the bidders, the vendors, whatever you want to call them, the record keepers, to suggest options or provide a menu of their options and the investment consultant we had at that time did look at all of those options and we had to go through a process after we decided on the record keeper. You know, we went through a long meeting going over all of the options and trying to pick the best ones and this time, I think that is part of the misunderstanding that is out there is that the RFP process has changed in this deferred compensation world and we are looking for a record keeper and we want to get the best price available for someone to keep the records for this program. But, as far as the investment options and choices that are out there, those are going to be made by this Committee and we are this RFP is based on what is called open architecture where we want to know what is… what vendors… what limitations they have as far as providing any mutual funds or what… if it's wide open. Those are the kinds of things we are trying to find out from the RFP and then this Committee will make the decisions on which investment options that we will provide in our… include in the program based on the advice we get from our investment consultant, our staff, and… and testimony and… and… and reviewing the RFP the bids that come in from the RFP. So, I don't know if I helped clarify at all there.

HOWARD GOODMAN: No, I understand what you are saying and I am well aware of that and I know that I personally and I believe that virtually all participants in the plan appreciate the amount of time and effort that the Committee puts into the selection of the providers and of the investment options and the integrity of the process, and I think that everybody appreciates that.

CHAIRMAN REED: Any other Committee member wish to speak? None. I thank you Mr. Goodman. Wait, I… let me just stop. Ms. Hagen, did you? Okay. Thank you, Mr. Goodman.

HOWARD GOODMAN: Who would you like me to leave a copy with?

CHAIRMAN REED: You can leave it with Mrs. Potts, the Recording Secretary, or since you are close enough to Tara, you can give it to her too.

HOWARD GOODMAN: I will save you the trip over.

TARA HAGAN: Thank you.

HOWARD GOODMAN: Thank you very much.

CHAIRMAN REED: Would anyone else in Carson City like to speak? Seeing no one… I guess somebody would. Please come to the table. Pardon me?

UNKNOWN VOICE: I am from Reno.

CHAIRMAN REED: I understand, but I meant in the Carson City location. Yes, please come forward. And I stand corrected, anyone in this room who would like to speak, which is in Carson City. Thank you. Please identify yourself and spell your last name.
Thank you. Yes we can now.

DUANE WARTH: My name is Duane Warth. Last name is spelled W-A-R-T-H. In 1990, I retired from the Los Angeles City Fire Department and I moved up here and I became employed by the Nevada University System. I was teaching at Truckee Meadows Community College for a couple of years, and then I moved up to the Dodd/Beals Fire School when it was at Stead. At that time, I transferred my deferred compensation out of the City of Los Angeles plan and the Hartford down there to a Hartford plan up here and that was some 21 years. I have been extremely happy with the service and everything that Hartford has provided and I was just reading your handout here where it looks like to me… I haven't really done the math in that much detail, but it appears to me looking at this pie chart that there is probably about seven times the money in Hartford that there is in the ING and that must say something. Just briefly, I would have to offer this comment. All of us should be looking at the bottom line and I have been very happy with the program. I think it is administered very well and if you make some changes, we have to… we as participants have to look at the bottom line and get the biggest bang for our buck and… So, that is about it. So, I hope that you will consider staying with the Hartford.

CHAIRMAN REED: Thank you, Mr. Warth.

DUANE WARTH: Thank you for the opportunity.

CHAIRMAN REED: Yeah, don't get up yet. I want to ask any Committee member if they have any comment or question, or would like to speak. Seeing none, I thank you, Mr. Warth.

DUANE WARTH: Thank you, again.

CHAIRMAN REED: I will ask one more time, would anybody in the room like to come forward and speak? There are actually two chairs. So, if more than one person wants to come up and is still interested in speaking, please come forward to the table.

MIKE NOLAN: Good morning members of the Committee. My name is Mike N-O-L-A-N. I am a Retired State Employee, having been retired about five years after putting in almost 31 years of service. Of that time, I have been with Hartford for well over 20 years. I have been pleased with the service and the options that are available, and the staff and the flexibility of meeting whenever I need to. As was mentioned earlier, as you get older, you get more conservative. I have put a majority of my funds into the growth account or the general account, especially in view of the market and the economy in the last three to four years. I just urge you to continue to provide that type of an option for those of us who are retired and want to conserve what we have and still maintain a small assemblance of reasonable growth. Thank you very much.

CHAIRMAN REED: Thank you, Mr. Nolan. Would anybody like to comment or speak? Seeing none, thank you again, Mr. Nolan. Would anyone else in the Carson City room like to come to the table and make public comment? Seeing none, I would ask if anybody in the Las Vegas room would like to come forward? If so, please do so. Alright, it appears no one in Las Vegas would like to make a public comment at this time. I do see a hand raised in the back of the Carson office, or Carson room. Would you like to come forward, sir? Mr. Goodman, good to see you again. Yes.

HOWARD GOODMAN: Am I on?

CHAIRMAN REED: Yes, you have 45 minutes left on your comments, so…

HOWARD GOODMAN: I have how long?

CHAIRMAN REED: About 45 seconds sir, about 45 seconds left on your comments.

HOWARD GOODMAN: I will talk quickly. Sitting in the room, I am hearing the comments of the two gentlemen that followed me. Something just jumped out at me as a red flag and I felt compelled to comment further if you will allow me to add 45 seconds more to my testimony. In looking at these charts here and I guess I had not looked at them closely before, I see that there is 262 million dollars in the Hartford General Account and I see that there is 29.9 million dollars in the ING Stable Value Plan. The thing that occurred to me immediately when I heard the other comments and I looked at this is that if for any reason this General Account would go away, there would be literally thousands of people that would be disenfranchised and lose the opportunity to invest a portion, if not all, of their Deferred Compensation Account in a type of account that they have made a conscious and informed choice to use. That would be a lot of people to disenfranchise and so, again, to that end, I would hope that account, or certainly an account very similar to it would continue to be available to participants. I think my 45 seconds are up. Thank you very much.

CHAIRMAN REED: Thank you, Mr. Goodman. Before, you go, any comments or questions from the Committee members? Okay. One last chance for anybody in Las Vegas that would like to make a presentation of the public comment section of this Agenda. Please step forward. Seeing none, I will ask the same thing of people in the Carson City room. Anybody here like to make a public comment again? Seeing none, I will now go to those who are on the telephone. If anybody that is participating by telephone would like to make a public comment, please identify yourself. Hearing none, we will leave Item 1B of the Agenda and move on to 1C, which is the *Agenda Item For Meeting Dates.* It is available for public action. However, I am going to step back again. I apologize. It is without my notes. I want to point out that I received several public comments so to speak by e-mail and telephone in my office. I would assume that others on the Committee have as well. I would ask the Committee members if you have received such comments, please forward their names and if they are written comments to Mrs. Potts and I know Ms. Hagan. Mrs. Potts will make that a part of the public record. Okay, now we will go onto the section on meeting dates, please, Ms. Hagan.

TARA HAGAN: Thank you, Mr. Chair and this is just simply to remind everybody of the meeting dates and if there are any requested changes, we know that the next meeting date currently is Thursday, June 21. So, this is just always on the Agenda in case members need to make some changes in the meeting dates. Thank you.

CHAIRMAN REED: Thank you. Any comment or questions from the Committee members? Please, Mr. Davie.

VICE CHAIR DAVIE: Thank you, Mr. Chairman. I should have said this last time and with respect to my colleague on this Committee, I just want to make the comment that the Deputy Attorney General who is assigned to this Committee is part of our staff and you know, I don't remember the exact words, but a comment was made last time that we should not make our meeting dates based on her availability and in general, I agree with that but I think we need to make every effort we can to have our Deputy Attorney General present at our meetings, especially this year because of the legal issues that are involved in an RFP process. And with due respect to the gentleman who is sitting for our Deputy AG today, you know, I am sure he is a highly qualified attorney, but Carrie is the one who has been digging into the details the legal details of this Committee and this process and you know, I just don't want to disregard her in terms of setting meeting dates. I think it is very important, especially through the rest of this year that she be available for us for any legal questions that come and you know, no problem with somebody substituting every once in awhile, but we need to take advantage of the expertise that is being provided to us, and so I don't want to just automatically dismiss her from consideration when we think about meeting dates and just wanted to make that statement, Mr. Chairman.

CHAIRMAN REED: Thank you, Mr. Davie. Ms. Hagan, do you know if any of these current dates would be problematic for Ms. Parker.

TARA HAGAN: Thank you, Mr. Chair. I do believe the August, November and December meeting dates may be problematic. I apologize, I don't recall on the July, but we can bring that back. The June is fine, so we can bring that discussion back to the June meeting.

CHAIRMAN REED: Thank you. Let's do that then. Although the item is available for public for possible action, I don't hear any objections to it. So, unless I hear a motion on the floor, we will just move onto the next item on the Agenda, which is Section 2. We will start with Section 2A, *Stable Value Investment Option Presentation,* which includes descriptions and pros and cons of the following types of Stable Value Options, including various guaranteed investment contracts, low duration bond funds and money market funds. Please proceed, Ms. Hagan.

TARA HAGAN: Thank you, Mr. Chair, and I just wanted to bring… I know a couple of peopled pointed to the supplement. If that can be part of the presentation, but the key statistics regarding the various capital preservation funds. We just wanted to bring that to your attention. It won't be in the presentation, but it is available and I know Jake was trying to see if Arnerich Massena is on and obviously, you want this to be a presentation, but also a discussion. So, any questions you have and… we want to make sure that the listening public understands what we are really looking at here and I think to level set this discussion, what I wanted to do is… is just talk about Capital Preservation Options. That is really what we are talking about here, and there is various means in which you can get to a Capital Preservation Option. And, I know as somebody that has been working with participants for 16 years, what I hear a lot from these folks, like we heard in the room today, is "I just want to know that the money that I put in there will be there" and so what they are really saying is I want a low risk investment with high quality secure investments underneath it and also the principal protection. So, when you look at the different options that you can have at its core, the Money Market Fund is really the core to a Capital Preservation Option. Right? We can all agree with that. There is some downsize to the Money Market Fund, but at its core, it is really there to conserve the principal, or capital preservation. Now, that… then you go into the next type of investment option, a little bit higher potential for yield, which is the Low Duration Bond Fund. So, Money Market Funds are going to have more of your cash instruments. A Low Duration Bond Fund is going to have fixed income, but obviously those shorter loans. So, much, much shorter loans, not your five and ten year loans, but the shorter loans that we are looking at. All of these accomplish this, but a Stable Value Fund, which is really the most popular investment option in any defined contribution plan, has one key feature and that is any stable value and we are going to talk about kind of the evolution of stable value since it began 30 years ago. But, really, the key to the stable value is what? It protects principal and interest and that is what really is most attractive to people in this room today and a lot of our participants and people across the company in these type of plans. And what we mean by that… I always think of when I was with the City and County of San Francisco and I sat down with firefighters, I had one firefighter and what he said to me was when my account hits X, I am done. I am going to have it in the equities. When it reaches a certain amount, I am just going to put it all in the Stable Value Account. Why did he want to do that? Because that is his watermark, right? So, let's say it was a hundred thousand dollars. That is his watermark. That is what he wants. He knows it is not going to drop below that when you put it in a Stable Value Fund. So, that is exactly what people look for this. Preservation of capital. So, as I mentioned, bare with me here. A lot of information on this slide and the next couple of slides, and I like to use some graphics to kind of get at what we are talking about, but what we want to talk about is how Stable Value Funds have changed over the years. So, they began about 30 years ago on what the initial was the traditional insurance contract. Now, this is the Hartford General Account. That is what… the Hartford General Account is a traditional insurance contract. The assets are owned by the insurer. The assets are in the insurer's general account so that they are subject to the obligations of the insurer and when we talk about that principal and interest guarantee, or backing, I like to call it. Obviously, somebody has to front that and the insurer is the one that guarantees or protects that principal and interest. So here is what we call the single insurer. So, the single insurer, one insurance company, is backing that book value for the principal plus interest. Fast forward to the early 1990s, we had some insurance company failures; Executive Life, Mutual Benefit. So, with that, all of the sudden people said, wait a minute. We want to protect those assets from the general… from the obligations of the insurance company. Everything really stayed the same when they moved to separate accounts except what? I guess the picture in the next slide. But, what it did, is it allowed… instead of those assets to be… they are still owned by the insurance company, but they are walled off from the general obligations of the insurer. So, that was the first change that was made. Still, a single insurer that is backing the principal and interest are what we call book value. And then it leads up to what I will just call for simplicity sake, the modern Stable Value Fund. And when you think about how this came about…. Thank you… I saw something the other day in pensions and investments that define contributions plan have nearly two trillion dollars in them and so if you think about the increase in assets over the past 30 years and you think about the increase in assets in these Stable Value Funds, obviously the risks are becoming greater because the assets are increasing. And so that coupled with the fact that fiduciaries, like yourselves, are looking at these type of funds say, no, I need some more oversight. My hands feel a little tied with some of these investment options. I need to be able to oversee and make some decisions on Stable Value Funds that I can't do with the traditional or separate accounts. So through that, there were really two main changes to the modern Stable Value Fund. The one, assets are no longer held by an entity, so they are not subject to those general obligations of a company. They are held like all of the other assets in a plan like our plan in a trust, and this just goes back to the 1986 Orange County, as you may recall. They attempted when the county financially was hurting, they wanted to dip into the 457. Through that, there were laws that were put into place that monies in a deferred compensation have to be held in trust for the exclusive benefit of participants and their beneficiaries. So, this now allows all the monies within a plan, including your stable value to be held in a trust. The second is when we talked about that book value guarantee, we started to say because of the assets increasing, I am a little uncomfortable with one entity backing or guaranteeing that book value plus interest. What I want to see is what we call wrap contracts, so multiple entities backing or wrapping those funds and with that, it is a direct correlation to reducing your credit default risk in these options. And, like I said, I am a visual person. So, to me this makes a little bit more sense. In using that same timeline and the evolution, it evolved from the single insurer with assets held in the general account to the single insurer with assets walled off to not part of the general obligation of the insurance company to what we now see the boxes there represent the wrap contracts, is what we call them, and that's the multiple institutions that are backing or guaranteeing that principal plus interest. So, you can see you have one insurance company, or entity I should say, that is backing that versus multiple. You definitely reduce your credit default risk by putting more protection around those assets. There is also, and I won't get into it. I think in the Committee's memos, particularly… oh actually in this topic and the next one, and the Hartford General Account, there are other things because obviously, 2008 we went through an incredibly difficult fixed income period and so there is also other protection that the wrap contractors demand from the entities that are managing those assets. So, you know, there was some more speculative assets that your… or securities that used to be in there can't be in there anymore, so some changes. Obviously, these things evolve unfortunately as things happen. But, that is how the industry is moving to more and more and more protection of these assets. Multiple wrap contracts as we call them or book value guarantees and also requirements of the asset manager. So then, we just want to talk about what do we look like today. As I mentioned, the Hartford General Account is more the traditional insurance contract and with that the key is because assets are held with… backed by the general account assets of Hartford, really the key fiduciary piece of that is what? That is the financial rating of the Hartford. That is the core of what backs that book value guarantee. Now, you may recall… I know Rex and Brian, this is… and Brian it has been four years that we have been talking about stable value, not two. But, but there is a substantial change that the Committee did to the ING funds. So, the ING Stable Value Fund is not the fund that we had in the beginning of the contract period and we will talk a little bit about this when we get to D, which is the discussion on the Hartford General Account, some precedence that we set, but we had a fund initially that was a single insurer with ING. It was more related to… it was a separate account, so the assets were held in trust, but we still had the single insurer that was guaranteeing some additional principal and interest. They also had some corporate unsettlement if you will, and also a decrease in credit ratings and through that, the Committee made the change to the more modern Stable Value Fund. It is a little bit different. I won't get into the nuances but they did that specifically to get to the multiple insurers, or the multiple wrap contracts on that to reduce that credit default risk. So, very similar of what we are looking at today in terms of the Hartford General Account. And I think what we want to do just in wrapping this up, this Agenda item, is go back to what is important. What is important to participants. What is important to you as fiduciaries, to Arnerich Massena as fiduciaries and as we have said before, the low risk, the high quality. All of that is very important in this investment option, but we also know what? That book value guarantee. That is exactly what we are talking about. That is what people enjoy in Stable Value Funds across the country and what we want to see is high quality, multiple insurers or institutions to wrap that book value, or guarantee that book value.

CHAIRMAN REED: Are you finished Ms. Hagan?

TARA HAGAN: I am, thank you.

CHAIRMAN REED: We are now finished with the presentation on Item 2A. Are there any questions or comments from the Committee members? I see Mr. Davie has his hand on the speaker button. Please proceed.

VICE CHAIR DAVIE: Thank you Mr. Chairman. Again, just to provide a little bit of history. I do not want to expand a little bit on what happened with ING. Because when we made that change… I mean that was big change with that Stable Value Fund because and again… I am not… I was confused back then, you know and I appreciate what the new members are experiencing here too because I did not understand what book value meant and all of these terms, and it is, you know. It is part of the lingo out there so we have to get familiar with it. But was happening back then and Tara can correct me if I was wrong, but from my understanding. We had a Stable Value Fund with ING where the book value was going up and down. There was no protection for the interest basically, because as I understand it, if we would have had to get out of that account, the participants would have lost at certain times when that was fluctuating, when that book value was fluctuating; if we would have had to get out of that account, our participants would have lost money.

TARA HAGAN: Yes, just a clarification.

CHAIRMAN REED: Yeah, Ms. Hagan.

TARA HAGAN: Yeah, just a clarification. The book value was set but the market value was the one that was fluctuating (Inaudible phone ringing) starting to become quite different.

VICE CHAIR DAVIE: And, and, and we did go through a difficult time with that, because basically what we had to do was wait until the market value got… got back to the book value, if I am using that correctly, so that we could terminate that and not have that risk on the part of the participants and go to the Stable Value Fund with the wrap contracts that protected that interest. So, we were in an exposed position back then with that ING, the original ING Stable Value Plan that we got because that market value was fluctuating and we could not guarantee that the participants would get everything that they put into it, and so we went through that process and we had to wait, for a couple of months that I recall and that was tense. I remember because we had to wait until that market value got a little bit over 100% so that we made sure when we made the switch that none of our participants would lose any money when we made that switch. So, that was… that was really critical and that is why I appreciate so much, you know, understanding this process and the wrap contracts and the protection that provides and we don't ever want to be an position where we are subject to market fluctuations and we can't in this kind of fund where we can't give the participants back, or they can't get back from this program their principal and protected interests. So, just hopefully a little history there to help clarify. Just one other point I want to make, and I heard this in the public testimony. With the large amount that is in the Hartford compared with what is in ING, again, you have to look at the history of the program. Hartford was the only provider for a long time and then, you know, I can't remember… I don't remember how many years ago, but I think 12 or 13 years ago, something like that, we went to two providers and I think the original one was Hartford and then ICMA and then in the next bid cycle ING won… won the bid for that portion of the program. So, it is not really a reflection of, you know, we do have a choice in the program now. That was an important consideration last time but it's the proportion of money that is in the different programs is based on the history of the program and the way it developed over time and I don't think it is necessarily fair to make a judgment that, you know, because so much is in one fund and not in the other that… that is a reflection on the providers either way. It is a reflection of the history of this program and the way it has developed and coming from a single provider to two providers that we have had in recent years. Thank you, Mr. Chairman.

CHAIRMAN REED: Your welcome and I would also like to comment on that time period. I was there and it was as Mr. Davie said a very tense time, but what I would like to add to what he made… his comments he made is the fact that one of the things that we did do while we were waiting for the funds value to increase again to the point where we could move it is we had already gone out to our consultant and ask them to review the universal that was available and then we did the mapping so that as soon as it was possible to move the money without loss, everything was in place so we could make a smooth transition. Dr. Romo?

CARLOS ROMO: Mr. Chairman, thank you Tara for the clarifications. They are very useful. For my information, I am sure everyone else is the Stable Value Fund's protection, does it have a ceiling? For example, in the banks you have FDIC, $100,000 and things of that nature. Are all the funds protected that are in the Stable Value Funds?

TARA HAGAN: Do you mean like a modern Stable Value Fund?

CARLOS ROMO: Yes.

TARA HAGAN: Yes, because they would be held in trust.

CARLOS ROMO: Okay, so it would be 100%?

TARA HAGAN: 100% because they wouldn't be… Right now, we have exposure because it is held in a General Insurance Account and so the…the insurer… the obligations of the insurer can touch that money. They are subject to general creditors. So, it is not protected now where if you moved to a trust, it would be 100% protected.

CARLOS ROMO: Okay. And then I am looking at this

CHAIRMAN REED: Dr. Romo, if I could just… I would like to elaborate a little bit on that. You said the fund. Do you mean the Hartford General Fund?

TARA HAGAN: Thank you. I do mean the Hartford General Account.

CHAIRMAN REED: Thank you. Not the ING Stable Value, correct?

TARA HAGAN: Correct, thank you.

CHAIRMAN REED: Thank you.

CARLOS ROMO: To this handout that you gave, which is very helpful, also just for magnification here, is terminated participants, what does that exactly mean? Is that… they no longer are in the fund, or no longer in the program?

TARA HAGAN: No. It means that they currently have money, but they are no longer contributing to the account or employees.

CARLOS ROMO: I am one of those.

TARA HAGAN: Yeah. There you go.

CARLOS ROMO: I am one of those.

TARA HAGAN: They could be retired or just simply no longer working for state government.

CARLOS ROMO: So, if I read this correctly and I try to apply what the Stable Value Fund was, if we have the Hartford General Account of 262 million that there is very little protection is the conclusion that I should make in guaranteeing these funds?

TARA HAGAN: That is correct. It is backed by a single insurer, which is the Hartford and it is subject to general creditors because it is held in their account… their general account.

CARLOS ROMO: Versus the ING Stable Value of 29.9 million that there is guaranteed. That is in a trust?

TARA HAGAN: It is in a trust. That is correct.

CARLOS ROMO: Thank you.

JACOB O'SHAUGHNESSY: Mr. Chair, this is Jake. May I comment?

CHAIRMAN REED: After I do.

JACOB O'SHAUGHNESSY: Oh pardon me.

CHAIRMAN REED: No, that is okay. I am glad you want to comment. I just want to deal a little bit with semantics. I would not necessarily say there is little protection. The protection on this depends upon the value and the stability of the insurer and as long as Hartford is healthy and sound, etc., there is protection there. It is a relative term when you are asking what kind of protection is available and I want to make that point specific. It is a relative term depending upon the health of the insurer. In this case, there is only one insurer and so it is dependent upon the health of that single insurer. Mr. O'Shaughnessy, please proceed.

JAKE O'SHAUGHNESSY: Thank you, thank you, Mr. Reed. I wanted to perhaps further that comment a little bit and just state that you know, again, these guarantees… these book value guarantees are only as good as the credit of those, which are guaranteeing them, whether it be a single issuer or in the case of a modern stable value, you also need to evaluate all of those insurers under the hood there. The other element here, the very fact that this option is so useful and popular for the participants of Nevada Deferred Compensation actually exacerbates the risk here. Because, you know, the magnitude of that liability on a single issuer's books becomes greater as the assets increase in the option. The other element I want to add here, all of the 457 plans similar to Nevada Deferred Comp that I work with have a book value guarantee kind of an account. Whether it is a General Account or a Stable Value Account and I would truly envision that the Nevada Deferred Comp would continue to offer a book value guarantee account going forward, even after the RFP process. So, you know, I know we will talk a little about the RFP process and how this factors in, but I don't want to give the impression that I would expect there to be a book value guarantee to go away. I have not experienced a plan similar to Nevada Deferred Comp that does not have that kind of account, specifically for the reasons we have heard today of the need and the use for not only retired participants, but participants in general. So, I think that is a need, which is absolutely acknowledged. The current general account, the Hartford General Account, many, many other providers have a similar account. So, there is the Hartford. There is other providers again, and I think the key consideration if you are going to have a single issuer risk, a general account type of product, you need to really evaluate is the return I am getting and the risk I am taking on appropriate? And so that is really the point of this exercise here today, I think, is to analyze the current risk issues of the general account, particularly in light of the announcements the Hartford has made here at the end of March around the retirement unit being for sale. An so we will hear from the Hartford, you know, some of their thinking, and really I think for the Committee in conjunction with staff and the consult is to address, okay… Do we still feel as though, the risks present from that single issuer is beneficial for our participants from a fiduciary standpoint? So, you know, the two things again I want to note is it is very likely that there will be a book value guarantee fund in the Nevada Deferred Comp program going forward just because we have heard the need. There is over half of the assets are in these kind of book value guaranteed accounts currently and that is very common amongst the peer group outside of Nevada Deferred Comp. So again, I recognize that need. I think that the Committee recognizes that need and my expectation going forward would be that there would be some form of book value guaranteed account in the program but really what I think is extremely paramount is to make sure that the guarantees behind that vehicle are prudent and that the Committee really feels as though the credit backing will be there should the need arise for participants. So, those are my comments with regard to the topic.

CHAIRMAN REED: Thank you, Mr. O'Shaughnessy. For those who are listening that may not know, I just want to repeat that Mr. O'Shaughnessy is the employee of and our liaison with our consultant Arnerich Massena. Thank you. Mr. Davie, I believe you wanted to say something?

VICE CHAIR DAVIE: Not any more, Mr. Chairman. Great minds thinking a like. I know it is a lot of new faces in the audience and I was going to say the same thing that that, just point that that was our investment consultant. He is normally here in our regular meetings. Because this is a special meeting, that is why he is not here. But, I'm sorry. So anyway, because we have so many… some new faces in the audience, I am glad you pointed that out.

CHAIRMAN REED: Thank you, Mr. Davie. Mr. Sisco, did you want to say something?

SCOTT SISCO: Yes, thank you Mr. Chairman. And again, just kind of a reminder. I kind of pushed for this presentation, so I… if you don't mind, I want to kind of recap. I think we kind of... we sent one shiver through me and I think we sent one shiver through some of the audience members because we started to bring the second conversation, which was going to take place in a minute into this one when you made the statement what is happening with Hartford right now. So, for a second, I would like to set that back aside and on this one, so what I am understanding is, the primary concern and the reason this conversation keeps coming up is because in Hartford's case, or the General Fund's case, we have a situation where it is basically subject to the liabilities or bankruptcy or anything else we might want to put out there, but anything terrible that might happen to the single provider. So, that is why I was concerned. But what you are saying is, and I think what these folks need to hear is that ultimately with these book value accounts, we are going to, we are going to whether Hartford is the carrier or somebody else, we still are going to be able to provide that Stable Value Account, an account where the principal is protected and where there is a guaranteed rate of return ultimately in our RFP process and everything else. Again, whether it is that actual account or some other account, we are still going to be able to look at it. But, the concerns that you all want to put out on the table and keep in front of us is, again, similar to what we had with ING is it is concerning because, you know, it is more risky than other options. Now, having said that, why couldn't… why couldn't that be insured? Why couldn't those risks, you know be insured?

CHAIRMAN REED: I believe the question of Mr. Sisco is directed to Ms. Hagan. Would you please respond?

TARA HAGAN: Sure. Thank you, Mr. Chair. And they would be insured and what we would like to move to would be multiple insurers backing that. So, what we call wrap contracts, which are multiple insurance contracts, backing those assets, rather than a single insurer.

CHAIRMAN REED: Mr. O'Shaughnessy, did you want to add to that?

JACOB O'SHAUGHNESSY: Yeah, thank you. So with regard just particular to the scope of the Hartford General Account, theoretically you could maybe purchase a credit default swaps on the Hartford let say. Should the Hartford default or go into insolvency. That can become problematic if your credit default swaps, for example, paid out, how would you allocate those amounts to individual participant accounts and the like? So, you could theoretically insure against default from the Hartford, but how would you apply that to individual participant accounts and balances. That would become very problematic. So, I think in the marketplace in general, that insurance is handled through the multiple insured. If… if you wanted to reinsure risk outside of the manager or the insurance company, moving to the other vehicles, those as Tara reported the modern stable value is the best way to get insurance specific to your assets that you have invested into a product rather than coverage for default of a particular company. Does that address your question, Mr. Sisco?

SCOTT SISCO: Thank you. Thank you, Mr. Chairman. Yes and no. Several of the e-mails that I got and the calls that I got were from participants that were not understanding why we went to the last legislative session and we got this ability to insure that account, to protect that account…

JACOB O'SHAUGHNESSY: Oh.

SCOTT SISCO: And why we weren't now using it, and again, I think you explained that to me yesterday but I think that needs to be explained here so that if there are questions or, you know, the folks will understand that.

CHAIRMAN REED: Before we go forward on that, Ms. Hagan, is there anywhere else in the Agenda you would recommend that discussion take place?

TARA HAGAN: Well, we do have that on the Agenda under the 3B, but I'm…

CHAIRMAN REED: Okay. Yeah, Mr. O'Shaughnessy, please go ahead but keep it short because we can discuss it further down the Agenda.

JACOB O'SHAUGHNESSY: That was going to be my comment. It… unless you think otherwise, perhaps I could just hold off until that time as well.

CHAIRMAN REED: Okay, thank you. Mr. Sisco, any other questions? Comments?

SCOTT SISCO: No. As long… Like I said… I think… Hopefully that kind of covers it and like I said, what I was just trying to do was just dissect that just a little bit. So, we understand that again, you know, where the concern is and the number one thing I understood out of your presentation there and out of our discussion yesterday is ultimately, we still are going to be looking for an account that provides, you know, principal protection and a guaranteed rate of return.

CHAIRMAN REED: Are there any other questions or comments from the Committee members? Seeing none, I would like to move to Item 2B. Item 2B for those who are listening and don't have a copy of the Agenda, it reads, *Hartford presentation regarding this general account in relation to the pending sale of the retirement plan business*. Gentleman, welcome to the table. As always, you know the drill. Please identify yourself and spell your last name.

ROBERT TRENERRY: Robert Trenerry, T-R-E-N-E-R-R-Y.

JEFF MORROW: and Jeff Morrow, M-O-R-R-O-W.

ROBERT TRENERRY: First of all, I would just like to state for the record, we are in the 15th year of having two providers in the State of Nevada Deferred Compensation Plan and I am proud to say that the Hartford continues to hold 83% of the assets that are in the plan. At this particular time, we are going to put a presentation together. We have a team of individuals that are here today to represent the Hartford, not that you can see them, but the majority of them are back in our home office. But, today we have Jeff Morrow with us who is our Field Vice President and then back in the home office we also have Don MacQuattie. He is Vice President and Managing Director of our Tax Exempt Market. That is where the government business that you have lies is within a Tax Exempt Market. We also have Mike Conley, our Chief Financial Officer of the Retirement Plans Group. They will be the individuals that will be doing most of the speaking today. We also have two representatives from HIMCO, which is the manager of the general account… they manage the general account, Chris Hamlin as well as Ellen Hall, and of course Todd Theroux back at the home office is there. You all know Todd. Bill Abramowitz is on the phone and so, at this particular point, we want to address the six questions that were presented to us by staff and we appreciate the time, so thank you Mr. Chairman, Committee members as well as staff for allowing us this opportunity today. Thank you, again. So, with that, I think we will probably have Don, I think it would probably be a good time for you to step in. Thank you.

DON MACQUATTIE: Thank you, Bob. I appreciate that. Thank you, Mr. Chairman and from everyone here in Simsbury, Connecticut, we appreciate the time on the Agenda today. My name is Don MacQuattie. I will spell that for the record. It is M-A-C capital Q-U-A-T-T-I-E. First name is Don, D-O-N, and I have a privilege of leading what we call the Tax Exempt Markets Group here at the Hartford. We have a long-standing partnership with the State of Nevada as you know many of the alliance plans as well and we greatly appreciate the confidence that you, your participants and retirees have placed in us. At this stage, we manage north of, you know, hundreds of millions of dollars within the state and take that responsibility very, very seriously. So for that, we thank you. Two weeks ago, our chairman announced a pretty significant reorganization here. It took us by surprise a little bit. It is important to know that these changes will not change the shape of the relationship that we have enjoyed with the state for so many years. To run through the announcement very briefly, I will tell you that our parent company will be selling a couple of business units, its individual life insurance group, our independent broker dealer and our retirement plans business will all be put for sale. The individual annuity business will be put into runoff and runoff just means that no new individual annuity contracts will be issued. So what does that mean for our relationship?

At this stage, to be very honest with you know, we simply do not know the future structure until we decide on a buyer. We expect that process to take 12-18 or so months. My sense is that shorter than that, we hope to have a name of a buyer, which will give us true facts versus rumor and conjecture, which is kind of what is swirling in the industry right now. The fact of the matter is no one, not a single person, knows what future shape that will take over the next couple of months or so, or longer. In the meantime, we are business as usual in every way. In fact, I am hiring some positions in a week or two, so we are continuing to invest in the business. Just today, we will no doubt process a number of new case paperwork for both corporate, nonprofit and governmental plans. So, it is business as usual in every way. In your newsletter the other day that I had the… the chance to read just this morning, I think you addressed it very, very well and I will read that. It is just two sentences in the newsletter. It says, "Hartford is contractually required and committed to NDC. During this time of transition, we do not expect any disruptions to day-to-day servicing of the plan and its participants". So, I think you hit that spot on and I think that is a great move forward plan for us. We continue to invest in the business and clients continue to invest in us every day. Before we get some of the questions, I just want to say this. You know, it reminded me as we are talking here. You know, we are a 202 year old American company that has never defaulted on an obligation. We retain every faith, every confidence and are fiercely loyal to our customers. We have 1.5 million plan participants and retirees that… that we have on the books. We will be there for you regardless of the logo on the statement and you know, I think the commitment that we have just in the room in Carson City, with Bob 15 years with the Hartford, Jeff 20 years with the Hartford, you know, I think speaks volumes to that as well as the number of employees that we have facing off with your participants and retirees every single day. I know that you do have a few specific questions for us this morning and I think we have the right folks either with you in Carson City or here in Connecticut. So, sitting next to me is our Chief Financial Officer, Mike Conley. I will turn it over to him in just a second or two, but I think I can address the first question, which is, you know, what happens… Is Hartford Life for sale and the answer is no, it is not. Not Hartford Life. Some of the operating units within Hartford Life are for sale and that is an important distinction because, you know, the individual businesses really have not a whole heck of a lot to do with, you know, with full faith and confidence in the Hartford. So, the individual life business, our smaller broker dealer called Woodbury Financial Services, the retirement plans business and then the annuity businesses as I pointed out is in runoff, but it is not the Hartford Life for sale. So, that all has some important consequences for you in a good positive way as we get into some of the general account. You know, I would tell you that just for context purposes, just as you think of who potentially would buy us. We can't really comment on that at this stage. It is all just conjecture. But, I would tell you that, you know, we are a very, very large player in the retirement plan business, and thus we are very attractive to any number of different competitors and partners that we have out there. We are a top five provider of plans nationally. We had a record sales year last year. You know, we feel like we are a business that is very, very healthy but simply just not a fit into a property and casualty mold, which is where our chairman and our board wanted to direct the company. So, I feel like we have an extraordinarily bright future regardless of the logo that appears on the statement. So, with that, let me… I know we do have some specific questions. Let me turn it over to my partner here, Mike Conley, our Chief Financial Officer.

MIKE CONLEY: Good morning. As we go through, I think Don covered the first question you had. I would like to take you through some brief answers on the additional five questions and then open it up for questions. I am going to go a little bit out of order here because I think Question #3 dovetails very well off of Don's comments. The question was "Will this process change after the retirement group is separated for a potential sale per the announcement on 3/21" and that was really getting afterward with any of the process around our General Account and how we treat it and manage a change. So, I would offer in response that the retirement plans business is already segregated and identifiable within the Hartford as a reported sub-segment. So, we already have a government structure around how we manage the business and more specifically around how we manage the General Account. So, the General Account is managed to an investment strategy and it is reviewed on a monthly basis and has a governance policy in place, which will continue as Don said, will continue to move forward and with the main view of trying to maintain the value of the business. If I move on to Question #2, which really talks to "How does the general account work", I think in many of the conversations here today, I think we have broadly covered some of that, so I will do it quickly. So, any plan that would select the General Account as an option, we would then invest that per our investment strategy in order to return to them whatever guaranteed rate of return we have insured them. So, any of the movements or as we are talking about earlier with stable value, changes in market or any of those things, are born by the insurance company and not passed through and not identifiable to the individual plan as we would guarantee them the principal and interest payment as long as we manage their funds. So, with that, let's talk about Question #4, which is "What happens in the case of an insolvency"? So, I think we did provide to the Committee, at some point last year a longer description than I will give today about exactly what the statute is that would govern that. So, I will cover it more from a high level and would just point out as an insurance company, we are regulated by the state of domicile, which is Connecticut. So we would not fall into the federal bankruptcy laws and within the State of Connecticut they would classify peoples order or subordination into six classes. Policy holders fall into class 3 and by policy holder, I would mean any plan participant, any plan, any life insurance policy we would issue, any individual annuity we would issue all fall into that class 3 policy holders. The only two classes that would be above class 3 would be payments necessary to liquidate an insurance company, an outstanding obligation to the state funding agreement. The classes that would fall behind policy holders would be the general creditors and general obligations of the company and also employee claims, wages and things like that. So, there is some level of order that Connecticut puts forth and we could provide that statute if we wanted to have some more clarity around it. So, if I move on to Question 5, which actually talks about the range of guaranteed minimum rates across the Hartford, I wouldn't be all that specific on this, but I think we have talked about it in the past across our book of business. We have a range of guaranteed minimums between three and five percent, and lastly on Question #6 "Can the Hartford still register with the Nevada State Guaranty Association in light of not offering annuities after April, 2012? Can they facilitate a group annuity plan structure required to register with the Nevada State Guaranty Association in light of not offering annuities going forward? Specifically, with the individual annuity business going into runoff, it is our understanding this would not change our position with the State Guaranty Funds or with the State of Nevada Insurance Department. With that, I will leave you with those broader answers to the questions, and I think we can feel free to dive into those in more detail as you see necessary.

CHAIRMAN REED: I would like to thank you Mr. Conley and Mr. MacQuattie. Are there any questions from the Committee members at this time after the two presentations? Mr. Sisco?

SCOTT SISCO: Thank you. I am not sure you are the right folks or not, but while we have got you on the phone, the way our, our triggers are set, if you will, there are based on your ratings. Your ratings have dropped substantially over the last couple of years and now all four of our ratings for you are right literally above the trigger points for the Committee having to make some decisions. What can you tell us, if anything, regarding you know what you are doing to shore up those ratings and they don't like the term here but I am going to use it anyway, give us that warm and fuzzy?

MIKE CONLEY: Hi, it's Mike Conley. I guess I would respond to that in many of the public comments you have seen William McGee make about how the Hartford has fortified its financial position since the financial crises are important steps to getting the financial strength. I don't know that rating agencies have been upgrading anyone for any cause since the financial crisis, so I won't opine on whether that could happen, but I will point to this week's announcement as well in which the Hartford had refinanced and repurchased warrants from Alliance and a lot of the public comments and interpretations of that further exhibiting the financial strength of the Hartford. So I, you know, can't make those guarantees or assurances so… but those public comments and things have shown much more propensity than we would have been able to do a couple of years ago.

CHAIRMAN REED: Thank you. I appreciate your response. Mr. Sisco, any other questions? Okay. Anybody else in the Committee? Mr. Davie?

VICE CHAIR DAVIE: I have a couple of questions, Mr. Chairman. First of all, on your last response in reference to the Hartford and the guaranty association and writing annuities, you said there would be no change in your position, but we were asked to do a contract amendment to allow annuities… to allow this guaranty association… issue to move forward. But, if you are not going to be running annuities and annuities are required, I don't understand how you say that there is no change in the position here. I don't understand how that will work if…

MIKE CONLEY: That is a fair point. So what I was trying to distinguish is between an individual annuity, which is a business we have placed into runoff and that amendment we were in discussions with related to a group annuity so there is a distinction that we will continue to write group annuities inside of retirement plans. So, that is why I don't believe there is any change in our standing on that.

VICE CHAIR DAVIE: But, doesn't the group annuity contract require individuals to open an annuity? I don't understand the process here.

MIKE CONLEY: No, fair question. When I call an individual annuity, it is for one participant. It is not under any group type structure versus a group annuity would be the form and structure you would have for a retirement plan that would allow all of the participants to participate under that group annuity plan as opposed to each participant having an individual contract with the Hartford.

CHAIRMAN REED: Mr. Davie and Ms. Hagan, you can correct me, but if I am not mistaken, at the last meeting or even the last two meetings, we have indicated we are not moving forward on the issue of insured annuities through the Nevada Plan, correct? So, okay. Thank you. Mr. Davie, any other questions?

VICE CHAIR DAVIE: I wanted to ask about your investment strategy. You know, in the… the money in the General Account is… when you make your investments basically, I mean, obviously you are a profit motivated company and so the investments that you make based on the money you have in the General Account would be based on the… on your corporate and shareholder benefits. As opposed to if there is any conflict with participant benefits, which is what our concern is. The money in the General Account from your perspective is basically invested to benefit the corporation and the shareholders. Is that an appropriate way to look at it?

MIKE CONLEY: The way I would traditionally think about it is, is first and foremost, we would invest it in order to match up to the liabilities of our business, which are participant and for the plan. Secondarily, the residual output of what our entire business does would go towards the shareholders of the company. So, with a business model of that, we would write each business should be able to produce those adequate returns for shareholders but we would manage the General Account in exact relation to the liabilities they are associated with. And that wouldn't change from how it is has historically then gone forward.

CHAIRMAN REED: Yes, Mr. Davie. Please proceed.

VICE CHAIR DAVIE: Thank you, Mr. Chairman. I just have one more question and I see a little conflict in the letter that I believe is on our website that Hartford sent to the plan sponsors assuring us that we can expect business as usual during the transition period and all the distinct contracts remain in force. You also indicate in that letter that we will continue to invest in both our infrastructure and our people, including new hires and you mentioned hiring some new people and in keeping us informed. And then we were also given the document that was filed… the legal document that filed with the SEC in reference to this and you know, I think this needs to be in the record as well. And this is where I see a conflict because in the legal filing with the Securities and Exchange Commission, you point out the company's announcement relayed it "will make implementation plans and objectives could also add first to the effect not only to businesses with respect to which a company has announced its attention to sell or execute other strategic alternatives, but also on its ongoing businesses. These adverse effects may include loss of customers, surrenders, withdrawals, contract terminations or other adverse impacts on the company's relationship with its business partners and other stake holders. Further, the company may not be able to retain employees that are necessary to the success of its implementation plans and objectives. As a consequence, the matter described above may adversely affect the company's business, financial condition, results of operation or liquidity". The conflict that I see here is your legal statement talks about not being able to retain employees necessary to the success of your plans and objectives and on the other hand, you are telling us that… that you are going to continue to invest and do hires and I have trouble reconciling that contradiction in these statements.

MIKE CONLEY: No, I think that is a fair question and what I would point out is that statement is part of the risk factor section of our 10K, which is an SEC filing. If you look at our full risk factors of the business, they are all similarly worded with the intent to give an individual investor the perspective of how they could eventually lose money. So, it needs to cover the broadest spectrum of possibilities that a security holder would go through. So, what they need to do as part of that filing was replace the risk factor that said they were looking at businesses to now update that to say they had made decisions on businesses and how that changed the risk factor for those shareholders. The way it isn't a conflict is the company still needs to maintain the value in the business in order to realize that value upon sale from these three individual businesses, but it does need to point out that it has introduced uncertainty into each and every day that we go forward until a buyer is named. I hope that helps.

VICE CHAIR DAVIE: Yes, thank you Mr. Chairman.

CHAIRMAN REED: Are there any other questions or comments from the Committee? Mr. MacQuattie, I think I have a question for you. I believe you are the one that said that the retirement plan activity was separated and ready for sale. What I would like to know is how was it separated? Is it strictly through internal policy, you redid your organizational chart or is it something more specific. For example, did you go down and incorporate that section as a separate entity?

DON MACQUATTIE: This is Don. I think that was actually Mike Conley who had gotten into that, so let me turn it over to him to expand a little bit.

CHAIRMAN REED: Thank you.

MIKE CONLEY: So, I wouldn't say we have done anything to, you know, house it in its own place, but the internal mechanics of our company allow us and allow me to have full responsibility for the full balance sheet and income statement. Therefore, from that perspective, we have easily identifiable the size and scope of the business and don't need to do any additional work on that aspect of it in order to ready it for a potential buyer.

CHAIRMAN REED: So, it still is a portion of the overall business and would be subject to any kind of liability of your entire operation, correct?

MIKE CONLEY: Correct.

CHAIRMAN REED: Okay. Are there any other questions from the Committee members? Seeing none, Mr. Trenerry, is there anything else?

ROBERT TRENERRY: No, not from me.

CHAIRMAN REED: Mr. Morrow?

JEFF MORROW: No questions or comments from me.

JACOB O'SHAUGHNESSY: Mr. Chair, may I ask a brief question? This is Jake.

CHAIRMAN REED: Yes, I was going to ask Ms. Hagan or you if you had any. I will start with Ms. Hagan. She is shaking her head no. Mr. O'Shaughnessy, please proceed.

JACOB O'SHAUGHNESSY: Yes, thank you. A brief question and I am not sure whom from the Hartford would be the best to answer. But, you know, the announcement around the retirement business being for sale, if that transaction were to take place, would you envision that the obligations of the General Account would be taken on by the purchaser in that case? And so, really my question would be, you know, if that sale were to transact, would that single issuer risk of this General Account be born by the purchaser in your opinion?

MIKE CONLEY: Thanks for the question. I do think it gets very speculative to try to answer what form or shape any type of transaction could take, so I would be doing nothing but guessing. But regardless, the obligation of the Hartford for plans on the books today will remain intact going forward. The assets, I mean… they could take multiple shapes and forms and have and if you looked at other similar type insurance deals, I think you can see the gamut of types of things that could happen.

JACOB O'SHAUGHNESSY: If I may follow up. So, are the General Account policies part of the retirement business, which is for sale?

MIKE CONLEY: You mean the General Account assets?

JACOB O'SHAUGHNESSY: Well, I mean the assets as they pertain… like the reserves for this line of business. Not the General Account per se but, you know, does a Nevada Deferred Compensation, you know, all of the administrative contract and then also about the policy here you have with the plan, does that fall under the retirement umbrella, which is for sale?

MIKE CONLEY: Yes, it does.

JACOB O'SHAUGHNESSY: Okay, thank you.

CHAIRMAN REED: Thank you, Mr. O'Shaughnessy and Mr. Conley. I am going to look one more time. Any other questions or comments? Hearing none, we will go on to Item 2C. I will read it for those whose may be listening. Representative from the retired public… Mr. Marty Bibb already testified now that I think of it. I will skip to C. We will go on to 2D. I will read that as well for those who may be listening. *Discussion regarding Hartford General Account Investment Option, including Possible Alternatives and Timelines.* I would like to point out to everyone that this is available for public action… possible action. Excuse me. Ms. Hagan.

TARA HAGAN: Thank you, Mr. Chair and I know Jake O'Shaughnessy and I will be taking this together. So, I just wanted to, you know, kind of go back. Some of it, I know, it is a little redundant maybe from the Stable Value presentation. But reiterating the key traits to capital preservation and these options and as we all know, low risk is number one and I think directly behind it as we have heard today would be those book value guarantees, or that principal plus interest guarantees and I just want to kind of separate this discussion too because I know sometimes we are kind of putting it into the RFP, but this is in accordance with the investment policy, the fiduciary oversight that the Committee in addition to Arnerich Massena are charged to do on the plan. Whenever there is change to people, process, performance in terms of an investment option, that rises to the level of the Committee and as part of that due diligence you need to review that… all the information that we have and determine where is that risk and return spectrum and do we have some concerns. So, and obviously with the Hartford General Account, and similar to any other investment, I think what… when you look at performance, since we don't have performance per se, then we look to the financial strength ratings of the company because as we know, that is the core that is backing that book value guarantee. And I think too we also want to revisit, and I know we started, but there has been precedent in policies that have been set with the elimination and I know these two funds sound the same and I think we forever were getting them mixed up when we were in the middle of this. But… with the removal of the ING Stabilizer Fund, due to these various similar issues that we have in front of us today, and that is the concern surrounding the credit default risk and also an unsettled corporate environment, because you may recall at the time, ING announced the same type of thing as I guess the movement and not a sale of the US insurance business, but rather an initial public offering that I think is probably in 2013 or you know down the road, but they announced that well in advance back in 2010. So, just to give you a little background, that is why we are here today. That is why we are talking about this and what are our concerns and I just wanted to go back. I think the next slide does give the Hartford credit ratings and in terms of the newsletter, because I know… I think there were comments surrounding the newsletter. There was a downgrade in Hartford's credit ratings for Standard and Poor's. They went from an A to an A-. Now, there was some confusion around where we fit and … because before Hartford Life was Hartford Life and there was one credit rating and as a result of the announcement at the end of March, the subsidiaries were then split out and the credit rating agencies looked at those individually. I think, and I am not going to speak for Jake, but I think initially we thought we fell under Hartford Life Insurance and Annuity and after reviewing contracts and conversations with Hartford understood that this business fell under Hartford Life Insurance and not life insurance and annuities. So, initially when we had the meeting in March, there was a little confusion, but there wasn't confusion by the time that you put the newsletter out because there wasn't a decline in the rating for Standard and Poor's and also A.M. Best has a negative outlook in terms of the Hartford's financial strength meaning they anticipate the potential in any way to also reduce or downgrade their credit rating for Hartford Life Insurance as well. And then, as we talked about today, I think, you know, obviously the announcement as we all know that Hartford will sell their retirement business creates an unsettled corporate environment and then going back to this all then kind of exacerbates our concern that we have had for several years in terms of just having 250 million dollars plus under a single issuer and concerns surrounding that. So, that is how we got here today. Not just for, you know, these are the credit ratings that we are talking about and I think it is important that we look at this because obviously when the Committee made this decision to choose this investment option back in… well the decision was in 2007, the contract began in 2008. So, during 2007, you can see at that point you were looking at double A ratings. For the Hartford today, you are looking at single A ratings for Hartford Life Insurance and as I think a Committee member mentioned, three of the four right there at the edge of the trigger of that, which we call it and I will let, you know, I know Brian and I probably were I think the only ones in the midst of, you know, 2008 and 2009 and why this triggering event was put into place is seeing the precipitous declines and, you know, in fairness in both providers' credit ratings. Both companies had to take government monies in order to shore up some capital reserves. And so we were going through a very, very scary time and through staff consultant and the Committee, it was a decision to put in place these triggers, which are at the investment grade level to then force the Committee to take a look at this option because of concerns surrounding the credit rating knowing like it said it is at the core of this option the financial strength.

CHAIRMAN REED: Mr. Davie.

VICE CHAIR DAVIE: Thank you, Mr. Chairman. It is just that I have a little more historical perspective. I believe the original idea was if the credit ratings ever got to those trigger points, we would automatically, you know, get rid of that option, but at that time when we were going through that very scary time, seeing these ratings drop as precipitously as they were and again, to be fair, ING was going through the same thing and then we also looked at all of the other companies out there. Obviously, during this period, you know, everyone was going through a terrible time with the economic crisis and everybody's credit ratings were being reduced. But, when we looked at it, it just happened to turn out that both of our providers, our record keepers had the most precipitous drops of all of them. So that was kind of scary and that is why we kind of set up this system and I do want to point that Andrew Clinger was on the Committee at that time and I am sure most of you know him, a well-respected Budget Director and now with the City of Reno. But, we did have the benefit of him on this Committee during that period and it was very beneficial, I think, having that expertise and he is the one who said who made the motion, you know, let's not just throw them out as soon as they hit this level but when they hit this level, that is going to trigger an emergency meeting of this Committee to take a hard look at it. So, that is how this all got started using these credit rating and setting these limits you know, just based on what was happening at the time, and again with the speed with which they all dropped, that just gave us tremendous concern and fortunately for the last couple of years, they haven't dropped any more, but you know, it is still the only method we have, particularly for the Hartford of evaluating their ability to, you know, maintain that General Account for our participants. So again, just a little bit more background on how we got to these levels with the credit ratings. Thank you, Mr. Chairman.

CHAIRMAN REED: Ms. Hagan, is there more to this presentation?

TARA HAGAN: I would think at this time if we wanted, if Jake had information to add at this point too, I would think.

CHAIRMAN REED: Okay. Mr. O'Shaughnessy?

JACOB O'SHAUGHNESSY: Thank you, Mr. Chair. I think just to echo some of the comments that I have heard, you know, this… analysis today, and we will get into shortly here how it relates to the RFP, has zero to do with the RFP. It is simply… there is an investment option in the plan and it happens to be an investment option in this case where it is an extremely significant plan asset and there have been a couple of factors, which I think the Committee would be remiss not to analyze and not to analyze in a fairly urgent manner, and those are deteriorating credit ratings and an announcement from the Hartford in a public forum that the business unit that services you is now for sale. And when any option in the plan has those kind of uncertainties arise, I think it is incumbent upon the fiduciaries of the trust to analyze the situation on behalf of the participants to insure to the best of their abilities that this investment option is going to meet the expectation and the need of the participants. Particularly when you are looking at a capital preservation vehicle, the hard earned assets of the participants, many of whom we have just heard from is paramount. So, I think this exercise of executing this due diligence on the Hartford and coming to a level of either okay, we are still comfortable here or the concerns have risen to a level where we need to investigate alternatives is really where we are at and again, I liken this exercise to a teeter-totter where on one side of the teeter-totter, you have the benefits to the participants, maybe return and capital preservation. On the other end of this teeter-totter, you have the risk factors. It is the Committee's job to make sure that the teeter-totter is well-balanced. So, you know, when this probably was put in, it is very likely that maybe a 4% rate based on the credit worthiness of the Hartford was balanced to a good level to the benefit of the participants, but what I would argue now, the rate and the benefit to participants is very, very similar but the risk factors on the other side of that teeter-totter now have increased, again due to the credit ratings and the announcement of the sale. Now, I would not say that they have increased to a level where it clear that the teeter-totter is extremely out of whack, but I would say that one side of that teeter-totter has now got a couple more pieces to it, which is causing the tilt of the teeter-totter to change a little bit. If that makes sense, that is really what I think this exercise today is to bring those risks in front of the Committee and in front of the participants for that matter and say, you know, are we still comfortable that this is a prudent offering within the program. So, those are my comments. That is my commentary around where we are with the General Account.

CHAIRMAN REED: Thank you, Mr. O'Shaughnessy. Ms. Hagan, do you have anything else?

TARA HAGAN: Just to kind of wrap up in terms of, you know, all of the comments that we heard today were very much committed to continuing to provide, as you have said, an option that allows that book value guarantee and I think just recognizing the difference in the last 20 years and the monies at risk today versus the monies that were at risk, you know, 30 years ago. Obviously, when this was at 25 million dollars or 50 million dollars and this type of an investment, we had a little bit more comfort level. As we go above 250 million dollars, that risk increases, and so just recognizing that and also recognizing that there are vehicles out there that can help us decrease the default and credit risk associated with these type of investment options. So, you do have a motion… a recommended motion to allow Arnerich Massena and staff to go out to the market place to see what type of options are available that are more in line with what we call the Modern Stable Value Fund that allows for those additional protections or wrap contracts around these assets. That is all I have. Thank you.

CHAIRMAN REED: Thank you, Ms. Hagan. I want to point out this is an actionable item and that it has almost been two hours that we have been sitting here. I am going to take a break before I entertain any kind of motion at this time. I want to remind the Committee members that this is actionable. We have to abide by the Open Meeting Law, so I would request that you don't get together and discuss this. Just go get a drink of water or what have you. Take a break. Mr. Romo. Dr. Romo?

CARLOS ROMO: Mr. Chairman. I have got two questions that I am sure are going to go into my decision making in a sense and I don't know much about the ratings and the credit ratings.

CHAIRMAN REED: Mr. Romo, can we just hold that until after everybody has had their break and then I will open up the discussion again?

CARLOS ROMO: Okay. That would be fine.

CHAIRMAN REED: Thank you.

CARLOS ROMO: Just as long as I get it answered.

CHAIRMAN REED: I would like to come back at about five after, five after 11. Thank you.

CHAIRMAN REED: Mrs. Potts, would you show that the meeting convened again at about 11:05? Obviously, this part of the Agenda does have a specific impact on Hartford, so I would ask Mr. Trenerry to come to the table in case there are any questions that are specifically addressed to the Hartford, and if Mr. Morrow would like to join him, that would be fine too. Ms. Hagan, I asked if you were finished before we took a break. At that time, you said you were. Mr. O'Shaughnessy, the same thing. I just would like to give you one more opportunity in case you remembered anything during our break you wanted to add to the conversation.

TARA HAGAN: Thank you, Mr. Chair. I guess the only thing I would say, because I think because some people have that question about the RFP versus the investment options and all those, and you know, if by chance down the road there was a change to any investment option like we did in the February meeting, you know, are we then making two changes. And, the answer is no. Obviously, what like we talked about today, we talked about hiring a record keeper and so investment options and decisions that are made today and in the future, we would just expect that record keeper to continue with the investment options that the Committee has identified.

CHAIRMAN REED: Thank you. Mr. O'Shaughnessy, did you have anything else?

JACOB O'SHAUGHNESSY: No. Just to really iterate that you know, as the motion of possible action reads with regard to possible alternatives, all of those other alternatives again would have some form of a book value guarantee. That is my only comment.

CHAIRMAN REED: Thank you. Mr. Trenerry and Mr. Morrow, you are here for questions, but at the end, I will give you a chance to say anything you would like at the end of our discussions, questions, comments and any motion that has taken place. For the benefit of the Committee members, I would like to point out that it is my preference to have a motion on the floor as soon as possible and then go to the discussion. However, if nobody wants to make a motion at this time and that is what I am asking for and I will look. Mr. Davie.

VICE CHAIR DAVIE: Mr. Chairman, I would make a motion to direct Arnerich Massena to conduct a fund search for Stable Value Option and present the information to the Committee at a subsequent meeting. I am assuming we are aiming toward the June meeting for that report?

CHAIRMAN REED: I guess, you put an assumption in there and what I would like to do is just get a specific motion and then we can talk about when we would expect a meeting.

VICE CHAIR DAVIE: I will delete the last phrase, then.

CHAIRMAN REED: Okay, thank you. I will second that motion and now I will open up for discussion, questions, comments, anything that the committee members would like to say, ask or put on the public record. I know Mr. Romo had a question, so I am going to start with him and then Mr. Sisco.

CARLOS ROMO: Yeah, I think it's… the question relative to how frequently are these credit ratings, do you know? Go back to the side if you would, Tara.

TARA HAGAN: Sure.

CARLOS ROMO: I would appreciate it.

CHAIRMAN REED: Thank you, Ms. Hagan.

CARLOS ROMO: Yeah, right there, Ms. Hagan. Yeah.

TARA HAGAN: As a matter of course, I believe, credit rating agencies review companies annually. When there is something, a corporate event that forces them to review, then it could be more frequent than that.

CARLOS ROMO: So, in your view, or someone's view here, the fact that the Hartford announced it is going to be selling its retirement business, is this going to trigger any kind of rating?

TARA HAGAN: It did.

CARLOS ROMO: It did already?

TARA HAGAN: Yeah. On March 21, actually the exact same day that Hartford announced that … Standard and Poor's lowered the Hartford Life Insurance ratings from a single A to an A-.

CARLOS ROMO: And will this continue, do you know? Or does anybody know if the ratings are going to be continuing to change?

TARA HAGAN: That is an excellent point. Generally, the rating agencies they will have a negative outlook into the future, if they anticipate future downgrades. Otherwise, they will have a stable rating and I believe Fitch Moody's and Standard and Poor's are all stable. Okay. And AM Best would be the only one with a future negative outlook.

CARLOS ROMO: Thank you.

CHAIRMAN REED: Mr. Sisco, would you like to ask questions or make a comment.

SCOTT SISCO: Yeah, I would kind of like to start a discussion. First of all, to let you know why I am not going to supporting this motion. First of all, Mr. Davie said at best earlier, Mr. Andrew, you know, Andrew Clinger set this in place. When you reach the trigger figures, then you take action. Quite frankly, I have some real concerns here that we are going to push this into those triggers and I did not word it very well when we met with staff and… and our consultant yesterday, it kind of came back so we really don't care what happens to Hartford. I do care what happens to this account and I do care what happens to our participants as a result of it. If, you know, the stock market is one of those things that when the word gets out that you know, somebody is unhappy or something negative is going to happen to their business, this could be a self-fulfilling prophecy here based on us doing that. We have not reached the triggers yet and I don't see… you know, I see this is premature that we are doing it. We should continue to watch it. We should continue to be diligent about it, but to just jump in and actually start pushing them over the edge, I have got a concern about that.

CHAIRMAN REED: Mr. Davie.

VICE CHAIR DAVIE: Thank you, Mr. Chairman. First of all, I think it is important to clarify that this motion does not mean that we are going to get out of the Hartford General Account at this time or in the very near future. We are asking our investment consultant and our staff to do a fund search. This is going to take place anyway, I believe and staff and Jake can correct me if I am wrong, but this is what we are going to do down the road here anyway once we decide on a record keeper, or two record keepers, or whatever through the RFP process. We are gonna go… be going through this process to look at what's available out there. So, all I see this is doing… First of all, this motion is just directing a fund search and that information will have to come back to this Committee. We will be able to see what is out there and in effect to me, it's an advanced look at what we are going to be doing down the road anyway and also, by making this motion we are not saying that we are getting rid of the Hartford General Account at this time. Everything stays in place. All we are asking for is further information so that we can evaluate the marketplace and see where things stand. I also see this as a good move, because it gives us more time to see what is happening with this major announcement. I mean, we are only a month away from this announcement that the retirement business is being sold and nobody knows what the future holds with all of that. So there is a great deal, and the Hartford individual on the phone mentioned at the end of his presentation there is a lot of uncertainty and we need to be responsive to that, I think and I think that is what this motion does is gives us a start to start looking what is out there in the marketplace. We are going to be doing it anyway and we don't have to take action next time if we don't see a viable option or if things change. You know, we are not making an irrevocable decision here. We are just getting more information at this point and I think we need to do this just to get that information and start the process and I think it is going to help us down the road through the whole RFP process because we are going to have to look at all of these investments anyway and why not start with the… with the biggest one that is out there that affects the most participants. So, I am definitely going to vote for the motion because I think we need to get this process started and… and how it goes from there is going to be up to the Committee down the road anyway. Thank you, Mr. Chairman.

CHAIRMAN REED: You are welcome, Mr. Davie. Anybody else? Mr. Romo, or Dr. Romo? I am sorry. I keep saying Mr.

CARLOS ROMO: Or Carlos is fine. I guess my concern… One of my first statements was that I always look at how it might affect the participants and are we going to be sending them a signal… It could be working both ways. Are we giving the signal that yeah, maybe we are going to make the change on the Hartford General Account and that is going to go out the door or are we giving them a signal how are they going to take it. Are they going to take it that we are searching for a replacement and what is this going to do in terms of triggering any kind of actions that they might take. So, I have got some concerns about that. I don't know that we know the answer, but I think this is a legitimate concern. I don't know if it is appropriate or not, but I would like to ask the Hartford to comment on this if it is appropriate or if it just a Committee discussion in terms of how they see it. I mean, what would it do to the business current, as it is? Mr. Chairman, would it be appropriate for the Hartford to comment on this?

CHAIRMAN REED: I would… I would ask them to leave the comments to the end. They are right there for questions at this time.

CARLOS ROMO: Okay.

CHAIRMAN REED: But, you could ask them a question that would get to that.

CARLOS ROMO: If we, for the Hartford individuals, if the Committee voted to start looking at other potential investment funds, how would the Hartford take this? I mean, what reaction would there be, if any?

DON MACQUATTIE: Hi, this is Don Macquattie from the Hartford and I appreciate the question. I think the answer

CHAIRMAN REED: Mr. MacQuattie

DON MACQUATTIE: I am sorry.

CHAIRMAN REED: Yeah. Please proceed. Thank you.

DON MACQUATTIE: Yes sir. I think the answer is, I would say that it is a competitive marketplace. Everyday, we have to earn our keep and if the Committee were to vote to put the General Account under review, we would live with that and we are loyal to the end of the day. So, we are as I said, you know, having to earn our keep everyday and if that is the decision that the Committee makes, we can certainly live with that. I don't think that has any bearing at all on any action we would take or any of the day-to-day interactions that we have with plan participants.

CHAIRMAN REED: Thank you. Would either Mr. Trenerry or Mr. Morrow like to add to that?

JEFF MORROW: I would, Mr. Chair, Jeff Morrow. Just to elaborate to Don's point and also to a point made earlier, by the executive officer. Our role is to administer to the plan and to the extent that there exists the Hartford General Account in the plan that we administer or the plan and the Committee chooses other investments, we continue to administer the plan. So, we are in short indifferent to whether or not the General Account is an allowable investment option. So, that is from a pure administrator point of view. We believe that the investment account is a viable one. We continue to believe that it offers benefits that equally weight the risks associated with the choice, personally applaud the group for evaluating the fund because it is a significant fund within the plan. I would just personally ask that as you move forward in any evaluation, whether it is a triggered evaluation or just an ongoing one, to continue to review the option as it sits today balanced off of other choices. As I observe the meeting and we go back into the transcript, I probably wouldn't be too far off to guess that there was a much greater number of times that the word risk was utilized today so far as opposed to reward and benefit and I understand the reason for that, but I would say that it is ultimately reviewing any option within the plan critical from a participant point of view to balance those in your review and words that I did not hear that I think are valuable to a Committee member to be asking are things related to ratings such as RBC ratio and surplus and items that really ultimately support the promise that is made in a General Account. So, I would encourage those discussions as well and I would just leave you knowing that we are here to support the decision that ultimately you are charged with and whether that decision includes a continuation of a fixed account, a continuation of a version of a fixed account, a continuation of someone's else fixed account or Stable Value Fund, we can administer those options but would say we are here to help you with really the full risk evaluation in addition to the reward balance that I think participants are asking for. Hopefully, that helps.

CHAIRMAN REED: Thank you, Mr. Morrow. Mr. Davie.

VICE CHAIR DAVIE: Thank you, Mr. Chairman. I would like to ask Jake to comment on the idea, you know, I think what is out there in a lot of participant's minds and would be in my mind. You know, right now, our participants have a great deal. They are getting 4% as a guaranteed crediting rate and their principal and interest are guaranteed in this account and what would I guess I am asking what the arguments would be against knowing that we have about what eight months left in the contract knowing that there is a possibility for changes and Hartford's comments that it looks like, or their projections are 12-18 months before their retirement plan is sold. How would you… I guess I just want you to comment on that. Why wouldn't we just go ahead and keep things as they are, let our participants benefit with that 4% rate for the rest of the year, which they are not going to get anywhere else in… in this world probably … in this current economic … environment. You know, that’s to me, I think that is the bottom line for a lot of especially retired participants. That interest rate is not available anywhere else and that is the big attraction here. But I think everybody needs to realize that the world has changed, the economic world has changed, the investment world has changed and we are not going to see those kind of percentages again, or if we do, you know, we definitely ought to check it out in detail because that’s not what is out there in the world right now. So, if you could comment on that, Jake, why again, I know I ramble a little bit, but the basic idea, why not just stay with this and ride it out and go from there.

CHAIRMAN REED: Mr. O'Shaughnessy, please proceed.

JACOB O'SHAUGHNESSY: Thank you, thank you, Mr. Chair and thank Mr. Davie. That is a wonderful question. The first comment I would have is it absolutely is an option to stay with the Hartford and continue to collect the 4%. In my mind, if the Hartford was double A rated and there had been no movement with regard to their credit ratings, that would probably be the most likely scenario. But again, weighing those risk factors and as a fiduciary, I would argue that you are somewhat obligated to monitor those risk factors on behalf of those participants. So, again, 4% is a very lucrative rate. I mean, if you just pull up the Wall Street Journal, okay? Moody's highest, you know, A, triple A rated Moody's paper right now in the marketplace, it's trading about 4.1% yield. So, if you issue corporate debt, that is the return you are getting. Now, if you move down the credit rating spectrum, you know, you get to one notch above junk status with Moody's, you are looking at about a 6% fixed income rate. You know, that’s how the market, you know, that is an indication of the market weighing risk factors and return and saying for lower credit rating, i.e. more risk, we are going to demand a greater return. Again, you know, looking at the Hartford, looking at that equation, you know, the reason I think that looking at alternatives out there is that you would get a good sense whether you are talking about this "Modern Stable Value Fund" or other general accounts. You know, simply by looking at what the average credit quality of a Stable Value Fund is and what the return would be to participants. Now frankly, the return from a stable value portfolio, the net return is going to be a little less. You are looking at maybe 2-1/2% in that regard, but you have a diversified double A portfolio or lets, you know, taking the Hartford's General Account current… say you get 4% for a single A issued portfolio. Now, right, wrong, or indifferent, both are still investment grade, but I think it is incumbent upon the Committee to make sure that the 4% that participants are getting is commiserate and appropriate based on the risk that is being born by the participants. Whether they know it or not, you know, to come to that conclusion. So, you know, I think… you know, to answer directly… it is an option to continue to stay with the Hartford here. You know, I think that as the risks increase, and one of those is the credit ratings continue to erode to really have the money. Okay, what is that level that we are comfortable taking on the risk to provide the 4%. So, I don't know if that hits exactly on your question, Mr. Davie but that is how I would look at it in the general context of saying, you know, is 4% appropriate based on the risks that we are taking on?

VICE CHAIR DAVIE: Thank you, Jake. Thank you, Mr. Chairman. You know, and again, I appreciate your response Jake and again, we don't know what is out there until we look and that is all this motion does. You know, and one point I want to make as well that you know, this is not a provider protection Committee. You know, it is not our concern how this affects Hartford as a company or any provider as a company. You know, we have to be looking out for the participants and we have a lot of participants in this account and we are not saying we are going to move by making this motion or approving this motion. We are not saying we are going to move out of the General Account. I believe… you know, the question I just asked Jake is a valid consideration that we all need to keep in mind. But again, by doing this motion, all we are doing is getting an early look at what we are going to do anyway down the road, and because of what has happened with the Hartford in these instances… in this recent couple of weeks, you know, we just need to follow investment policy and our investment policy says, when we see these kinds of circumstances… If this was a regular meeting, this General Account would be on the watch list, I believe just because of our investment policy and because of the amount of money we are dealing with here, the number of participants, the seriousness and the uncertainty that is out there with the company, I don't see how we can do anything else. I mean, just to sit back and not even look at what is out there, I think we would be a derelict in our duties as Committee members to not even start taking a look at this point in time and that is really all this motion does is say we are going to take a look at what's out there. Thank you, Mr. Chairman.

CHAIRMAN REED: Your welcome. Mr. Sisco?

SCOTT SISCO: I don't even know where to start on that. I disagree. I…. the matter of fact, the more we get into this, the more I do disagree. I think… first of all, I take offense to the statement about protecting the company. It has nothing to do with it. It is about protecting the investments that our participants have in it and again, if we send the stock market a message that we are unhappy and we are going to move 250 million dollars out of it, I can't… again, I can't help but thinking that it is going to… you know, may have some impact and do it. I guess my question, I have a question for staff first of all even though I am not done but did, when we made this change on this ING, were they… did they hit a trigger or were they one line above the trigger?

TARA HAGAN: Their credit ratings at the time were actually higher than Hartford's today.

SCOTT SISCO: So, they did not hit the trigger?

TARA HAGAN: They did not hit the trigger.

SCOTT SISCO: So, I guess I am having a hard time understanding why we created this system of triggers if they don't mean anything, if we… if we take action when they are above the trigger.

TARA HAGAN: We were…

CHAIRMAN REED: If I may. I don't know why they did it that way. However, I can tell you that the trigger can not be the only thing that causes us to make a review. There has to be other factors that are involved. For example, we do know that Hartford is selling that line of business. Now, it just makes sense that if that line of business was doing very well and generating a return that the company liked, they may have been inclined to keep it. So, that raises a question in my mind. But my point being, we cannot rely upon what is on that chart over there as a sole reason, and the only reason we will conduct an evaluation because to do your fiduciary responsibility, you have to look at the universe of the factors that are typically used in a financial world to decide whether something is a good investment or not.

SCOTT SISCO: Okay?

SCOTT SISCO: Yeah, I'm still…. I'm… Again, like I say, I still worry that It seems to me like the answer here again is, I mean, if we need to provide more options for the for the participants. If the participants are saying, look we would like to have another stable value option from Hartford, it seems like we could explore that, but I am very concerned here about sending a message that we are unhappy with this account. Clearly, our participants didn't come to us today and tell us that they are unhappy with the account. Clearly, we are sending a message that may very well, like I say, be self-fulfilling and send that rating down.

CHAIRMAN REED: Ms. Oliver?

KAREN OLIVER: Yes, also, one of the things that we discussed with staff yesterday was educating the participants about the, you know, the different types of fixed accounts and it wasn't just until recently that some of us new members wrapped our arms around some of these differences. And so, I am just really concerned about… we could explore, but, moving too quickly here because we were going to make sure that the participants understand and are kind of on board with us as we go through this process.

CHAIRMAN REED: Anyone else? Mr. Romo, Dr. Romo?

CARLOS ROMO: No. My first day here. I do have to tell the Committee that I am 100% in the General Fund in the Hartford. So, I would ask for legal inference of that if that constitutes a conflict of interest because the way I see it and for what I know at this point, in my mind and I may be speaking for some of the retirees as well, I don't want to trigger any kind of fear or worry from their point of view that what we are doing here today means we are going to move that General Fund. I am speaking for myself, but perhaps for others as well. But, if it is appropriate, Mr. Chairman, I would like to ask the Attorney General for some kind of ruling on that.

CHAIRMAN REED: And I will ask Mr. Menicucci to respond; however, I do want to point out that you may be 100% involved, but I also have a direct benefit from the General Account. So, Mr. Menicucci, if you can keep that in mind. It is not only Dr. Romo, but maybe some of the rest of us. But, from my perspective, and Mr. Menicucci can change my opinion, but that is not cause to ask yourselves to be abstaining from the vote.

JEFF MENICUCCI: I would not see that as a conflict that would preclude you from taking action. I believe the composition of the Board anticipates that you would have interests in the deferred compensation itself. So, if that were a conflict, then nobody would really be able to do anything. So, I don't see that as a conflict, Doctor.

CHAIRMAN REED: I thank you also. Any other questions or comments? Dr. Romo?

CARLOS ROMO: The other question has to do with timelines. And I had asked you about how frequently the credit ratings are changed. I suppose it could happen over night as far as that is concerned. We do have as someone earlier pointed out… about eight months before the contract ends. Is that something that we could watch for the next one or two months and see where we are with our June meeting? I am asking that rhetorically to find out if anybody could say to that particular motion that we could wait until June.

CHAIRMAN REED: We could obviously wait until, not only the June, but the November meeting and keep watching. That's probably the best answer. It's at the pleasure of the Committee as the vote says as the Committee and the majority runs. Let me just ask if Ms. Hagan has something to respond directly to Dr. Romo's question… or Ms. Oliver's question. Go ahead please.

TARA HAGAN: Thank you, Mr. Chair and yeah, I know yesterday when we spoke, and I thought it was a great idea to have staff go out and start to educate the participants on just at least the different types and what we are really looking at here as we did with the ING Stable Value, because at the time as Mr. Sisco pointed out, no, they did not reach the triggers but they did have a significant unsettled corporate environment and there were some other things going on within their mutual fund business that we had concerns about as well in addition to the way that they were managing their account. So, as the chairman spoke, there were a lot of things going on in that equation, not just credit ratings. We have to look at the whole picture. But, what we want to do is go out and educate our participants and we do have three dates that we are trying to get some rooms around in April and we will do two meetings a day, so six meetings that we will have scheduled in April to just get some of this information out regarding, and as Mr. Davie said, we know that there is a sale of this retirement plan business and so at least educating all of the participants on some of their concerns surrounding this.

CHAIRMAN REED: Thank you. Was it Mr. Sisco? You wanted something else to follow-up on? Thank you.

SCOTT SISCO: Two things. One real quick in answer to Mr. Romo's question was again, as I understand it and staff will, I'm sure, correct me if I am wrong as again, the triggers will automatically create the need for an emergency meeting should they reach the trigger. So, it is gonna not only be watched by us but the triggers will do that in that event. The second thing is earlier, a comment was made regarding the discrepancy between SEC filing and what was on our website and I just want to say having just gone through working with these rating companies just last week just on some State of Nevada Highway Bonds, you are required to put out there worst case scenarios and anything that might ultimately, you know, ultimately affect it. Again, typically it is very worst case scenario. So, I don't really think that there is any concern over the fact. I mean, we had to. We had to say, yep, you know, this month we had a 3-1/2% decrease in the gas tax coming in. And again, but a prudent analysis of that information would then determine, you know, based on history and everything else, that's really not something that is gonna ultimately affect your bond rating.

CHAIRMAN REED: Dr. Romo. I saw you start to reach for the microphone button. Did you have anything else you wanted to add?

CARLOS ROMO: Well, I simply wanted to comment here as to… excuse me. I just wanted to comment and perhaps ask that the proposal that you go out in the community and talk to our participants and in a sense inform them, educate them relative to what is taking place and everything else. It would seem to me that that would be a first step so that getting their feedback and their input. Then, we could come back and say they are really concerned about the General Fund. We need to move onto something else. I don't see the urgency in it at this point myself. But, I am thinking that by being out there with them and talking about the status of the General Fund, the potential going into a stable value or whatever other kind of fund we have is more important at this time than making a decision now.

CHAIRMAN REED: Mr. Davie?

VICE CHAIR DAVIE: Thank you, Mr. Chairman. First of all, I just want to say, I don't think this motion sends a message to anyone other than that we are getting information. The motion is to direct Arnerich Massena to conduct a fund search for stable value option and present the information to the Committee in a subsequent meeting. So, there is nothing about Hartford in this motion, you know. Obviously, that has been our discussion and that is what is prompting the motion all the uncertainty with Hartford. And there was a comment made about, you know, not stirring up our participants, whatever, or that this motion might give them some concern. I think they ought to be concerned. This is a very… you know, we are in a shaky position right here. I mean, our major provider with a quarter of a billion dollars in an account that they insure has announced they are going to sell this plan, their retirement plan, which includes our contribution. If our participants aren't concerned, and I think the turnout here today indicates that level, you know then, you know, something is wrong. Yeah, they ought to be concerned because this is serious and we need to know what is out there and I don't think asking for information, you know, asking our investment consultant to do what they… they have been hired to do is sending a message or indicating we are going to make any change. We cannot even contemplate a change without knowing what is out there and that is all we are doing with this motion. We are not saying we are going to take action. I just don't understand this and I have never seen any news reports that indicate that the stock market reacts to activities in Nevada. You know, or casino companies go up and down all of the time and you know, I don't see much reaction there. So, I don't think, you know, just this motion asking for information that may result in action down the road how that would affect the stock market or anybody's investment decisions. What is more concerning here is the fact that this company is going out of the retirement plan business and we have a substantial amount of money in there and if we don't know what the options are out there or even begin to look at what the options are out there, then I think we are really remiss in our responsibility to just stick our heads in the sand and say, you know, let's just ride it out. You know, I don't. I don't think we are doing right by our participants not finding out what else is out there and we don't have to take action at the subsequent meeting. We are going to receive information and that is it and the information that we are going to get… that we need to have during this year anyway in this RFP process and well before the fall because you know, with our timeline, we have to get the RFP done. We have to decide on a record keeper or record keepers well in advance to the end of the year because we have to get this contract in place through the Board of Examiners by the end of the year and that's not… that's basically a couple of month process. You know, we have learned over the years that that doesn't happen overnight. You have to submit it well in advance and that is why we started this process, so early. So, I would just argue this is something we need to do just to get information. We are not sending a message. We are not saying we are getting out of the General Account with Hartford. We are just getting information to see what is out there. Thank you, Mr. Chairman.

CHAIRMAN REED: Any other comments or questions?

SCOTT SISCO: Just again, just trying to understand, isn't it our investment consultant's job to regularly look at our options anyway? I mean, isn't that something that we should be getting anyway without outside of this motion? You know, the concern is here the motion is going to have an effect on, you know, on the ratings and then ultimately an effect on our investments. Again, we have to think about it. While, these folks in the general fund may be protected with their 4% guaranteed rate and everything else, there's a lot of other people out there in other Hartford retirement accounts that don't have that guarantee… you know, guaranteed rate and everything else. So have a change. But again, going back to my question. Isn't that their regular job? Aren't they constantly looking at investment options and wouldn't they be bringing that to us anyway? So, why do we need this motion for?

CHAIRMAN REED: Actually, I would like to respond in part to that, then I saw Ms. Hagan raised her hand and I am sure Mr. O'Shaughnessy has a point that he would like to bring to the table as well. Here's my response to what you just said. Does he have an obligation to review our investments on a regular basis and I would say yes, and my guess is and he may… I am pretty sure he will agree with what I am going to say. He has done that and what he has done after his review is said that we should go forward and begin looking at other options. So, that is my response to your question on that regard. Mr. O'Shaughnessy, if I am incorrect, please tell me I am.

JACOB O'SHAUGHNESSY: No that is absolutely accurate here. We are continually observing all of the investment options in the plan. I think it is pertinent. We are a co-fiduciary to this plan as well. I would say that the level of concern with this fund has risen to a point where I feel like it needs to be looked at and I think that is being done here during the course of this meeting. I'm clearly not in a role to make decisions, but I view my role as to you know, first of all, when we do see investment issues to raise the concern to staff and to the Board and then also to provide the Board with any information they deem necessary to make a prudent investment decision here. So, I would agree you know, with Chairman Reed and say, you know, we do evaluate these on an ongoing basis, but I would say that this particular product has some concerns that do raise it to a level where I think does need to be looked at specifically as we are doing in this meeting.

CHAIRMAN REED: Thank you, Mr. O'Shaughnessy. Ms. Hagan, did you have anything else? Okay, thank you. I would also like to point out and remind the Board members that we are fiduciaries and trustees. That means, our primary obligation is to oversee the participants seeking security in their investments. We do not put the concern of Hartford above that. I mean, we are concerned with Hartford and I hope you understand that, but our main and primary concern should be those who are participants that are investing and we have to keep that in mind. We cannot be concerned… we could not have a greater concern, I should say, to not only Hartford but other Hartford customers. So, again, it has to be the participants that we are responsible for as trustees and fiduciaries. Having said that, I would like to point out a couple of items that I have been thinking about. Number one, I said it already. We cannot look at the rating, credit rating, as the only reason we review an option that we have in our plan. There are other things and I would like to just point out a few that I think that Hartford has given us. Number one, they have a low credit rating now. It is not at the trigger point, but it still is low. But more importantly, it has been declining. It has got a movement. It is not just a point in time. It is declining. Number two, they are selling the retirement business. We don't have any idea what the new company is going to be after it is sold and how they operate. Number three, the retirement business is still part of the umbrella organization, so it is going to be subject as I understand it, and they can correct me if I am wrong, has not been incorporated as a separate and own entity. So, that retirement business can still be subject to liabilities in other part of the business that holds that retirement plan business. And, number four, our own consultants said we should be evaluating that plan now. Since we are fiduciaries and trustees and we have our own consultant telling us we should review the plan and we have these other factors that tell us that maybe we should look at the plan, I have to ask you, if you had to go to court because something happened and they asked you why didn't you do it when you had the advice of your consultant and all of these factors telling you should be evaluated, what are you going to say? That makes me very nervous and for that reason, I am going to have a roll call vote at this time, because I want to be on record that I voted in favor of the motion. Now, having said that, are there any other questions or comments from Committee members. Dr. Romo?

CARLOS ROMO: I go back to my first day, number one, but secondly that I am viewing this matter to be so urgent that the vote needs to be taken today, or that the decision needs to be made today, or done today. This seems to me that we can watch it until maybe our June meeting and if we do, we will see what happens there, or if things decline so badly, then I would ask for a special meeting.

CHAIRMAN REED: Thank you, Dr. Romo. Any other comments or questions? Okay. I will call the roll. The motion is and, I laid my notes over it so I have to get it out of my book. Thank you, Mr. Davie. The motion is to direct Arnerich Massena to conduct a fund search for a stable value option and present the information to the committee at a subsequent meeting. I would call a roll call vote. Dr. Romo?

CARLOS ROMO: No.

CHAIRMAN REED: Mr. Sisco?

SCOTT SISCO: No.

CHAIRMAN REED: Mr. Davie?

VICE CHAIR DAVIE: Yes.

CHAIRMAN REED: Ms. Oliver:

KAREN OLIVER: No.

CHAIRMAN REED: I vote yes. Motion fails. Is there any other motion for the Committee?

CARLOS ROMO: I just want to make a comment, Mr. Chair. And that is that I am very cognizant of the effect this might have, but I am also cognizant of the fact that if there is a change that we as a Committee should get back together and discuss it right then and there.

CHAIRMAN REED: Any other comments or questions? Mr. Sisco?

SCOTT SISCO: And again, I just want to make sure, I don't… like I said, our staff or our consultants should constantly be looking for options. If they want to bring us an option for a Stable Value Account, another one within Hartford and bring it to this Committee and have it added, and then again, through our educational process make participants aware of the fact that in addition to the General Account, they can also have access to this account and voluntarily move their money, because again, we are talking about ultimately in a situation like this, you know, forcibly if you will moving all of their money from one account to another. But, again, you know, our investment consultants should be finding such options and making them available. It just didn't have to be done in this manner at this time.

CHAIRMAN REED: Any other comments, Mr. Davie?

VICE CHAIR DAVIE: Thank you, Mr. Chairman. I would like to ask Jake a comment on that because there is a big difference between monitoring our investments and doing a fund search. If you could expand on that Jake.

JACOB O'SHAUGHNESSY: Well yes. You know, as I understood the motion, it was to look at other alternatives within the Hartford platform. And so, I would be more than happy to do that. I mean, we wouldn't, we couldn't change the record keeper, so we would have to look at other book value guarantee options, which would be available under the Hartford's current platform. And then with regard to search and monitoring, I think, you know, monitoring, when there's issues such as this, the monitoring process should surface those items up and so, at this point I think due to the ongoing monitoring of the Hartford General Account, there has been risks identified, which have bubbled up to the top, you know, and we as a consultant say, hey, this is an issue which should be looked at by the fiduciaries and the trustees. And so, again, that ongoing monitor…. That's the state where we are with the General Account now in my opinion, you know, leave that to my consultant. So, the issues there now, presenting the issue and the facts, I am going to say okay, what do you want to do as the next step? So, some of those alternatives might be continue to monitor, do a search, decide to change today. There is different grades. In my mind, depending on your sense of the urgency of the issue here. Again, I think that looking at some of the alternatives available might be informational. I don't even know that that would be a decision point. But I think by looking at what other types of vehicles and products, what are the returns and risks associated with those, might be informational to the Committee in order to make an assessment of the merit of their current product. So, that would be my comment if that addresses your question, Mr. Davie.

VICE CHAIR DAVIE: Thank you, Jake. I appreciate it. If I could have one other comment, Mr. Chairman.

CHAIRMAN REED: Yes, Mr. Davie.

VICE CHAIR DAVIE: By adopting this motion, we have basically told Arnerich Massena not to look at it as we have told them. So, you know, they are just going to go about their business and, you know, we will just wait and I guess when something, when we have another emergency or something critical happens, then we will come back, and address it again, I guess. So, that's where it stands. But, at this point, we have not directed them to provide any information on alternatives.

CHAIRMAN REED: I would like to add to Mr. Davie's comment. Not only have we done what Mr. Davie described, but again, I go back to what I said earlier. We put ourselves in a very difficult position because we have simply said we will not ask for any additional information. We do not want an evaluation. That to me does not seem like something a fiduciary should do. I think it has put the Committee at risk, frankly. If anything happens, how can we respond to the simple fact from an attorney when we are sitting on a stand in a courtroom saying so, why didn't you ask for an evaluation? All you were asking for was information so you can make an informed decision to protect the participants' money. So, how are you going to respond to that and I thank you. I know it is a rhetorical question, but sometimes rhetorical questions are fun, so thank you.

SCOTT SISCO: I am not going to respond. I think we have already had that debate. However, and I, again, I disagree. I heard Mr. O'Shaughnessy say that certainly, his position, you know, provides for looking at different options, bringing options to the Board, so what I am hearing again, we said that we were not going to do this as a result of the item on the Board that suggested that there was, you know, that we had a problem with the General Account. But, I do not think that precludes Mr. O'Shaughnessy from bringing to the next Board meeting and having staff put on the Agenda, you know, additional options within the Hartford account for stable value funds. Again, what we did here in my mind is we just avoided sending the wrong message to the market.

CHAIRMAN REED: Mr. O'Shaughnessy. As I understand the motion, we have not told him to get additional information. We, in fact, voted down his… a request to get additional information. We have done the exact opposite, I think, of what you just said.

CARLOS ROMO: Mr. Chairman, could I comment also?

CHAIRMAN REED: Dr. Romo?

CARLOS ROMO: Yeah, I think Mr. O'Shaughnessy though, however, will continue to monitor. He will continue to bring to our attention issues and yeah, we are saying that the ratings that there are now, and I don't know that I have enough information to know that it is going to change tomorrow. But, I think what Mr. O'Shaughnessy can continue to do is monitor and certainly bring to our attention through Tara and through the staff of any immediate changes, and I don't feel that we have put it in jeopardy at this point.

CHAIRMAN REED: I will simply respond by saying our own advisor, consultant, investment consultant at that has said that we should do what the motion proposed and we have turned it down, and I think that puts us at risk. So, having said that, unless there's any other comment, I think we can go through the rest of the Agenda.

JACOB O'SHAUGHNESSY: Mr. Chair, may I comment? This is Jake.

CHAIRMAN REED: Yeah, Mr. O'Shaughnessy, go ahead.

JACOB O'SHAUGHNESSY: Thank you. I just wanted to respond quickly to the idea of signaling to the market with regard to, you know, noticing our potential liquidity of the Hartford for 250 million of Nevada assets. You know, I know firsthand here in our firm with other Hartford clients that they are having a very hard look at this investment. My assumption would be that many, many clients, which are in similar vehicles across this country are making similar considerations. So that would be my one comment around signaling with regard to the 250 in Nevada. You know, it definitely wouldn't be a positive to the markets, but, you know, I would argue that many, many clients in the Hartford General Account are having a very hard look at this right now. That's all, thank you.

CHAIRMAN REED: Thank you, Mr. O'Shaughnessy. We are now on Item 3A, *Discussion Regarding Which Variety of Stable Value Investment Options Would Best Serve the Plan Participants and Their Preferences.* This discussion will include a presentation by staff and Arnerich regarding the RFP and how investment options are considered, including the stable value option versus the 2007 bid process. Please proceed.

TARA HAGAN: Thank you, Mr. Chair, and I know Brian has alluded to it already, but we just wanted to point out the differences in the RFP process of 2007 versus today, and I think also, providing additional information around why because who are the fiduciaries and who are not the fiduciaries. But, as Brian mentioned, the industry has moved to what we call an open investment architecture, which what we do in the RFP is simply asking the bidders what flexibility do you have in terms of your investment options. So, I you have it on your platform, great. So, give us all of the funds you have on your platform. If you don't have that fund on your platform, how long does it take to go out to the marketplace and get that and put that on. Are there certain proprietary funds that you have to have in the plan because obviously that has a pricing differential that we want to make sure that we look apples to apples at what our participants are paying for these services. So, that is why, and I think also as fiduciaries, your charge as we have heard here today with managing and oversight of the investment options. So, you are fiduciaries. Our administrators or service providers are not fiduciaries. So, otherwise, you don't want a provider or record keeper's limitations driving your investment choices and decisions because you are ultimately, you know, the fiduciary that is responsible for those decisions and in addition, we don't want a provider's conflicts to also drive that. So, there is nothing in this RFP that precludes the Committee from choosing any investment option, be it what we call, you know, the traditional insurance contract, which is still under the stable value umbrella or moving to, you know, an option that decreases that default risk for participants. So, there is nothing in the RFP that precludes the Committee from choosing any investment option and, you know, my analogy of liking it to a house, what we are really doing is we are seeking… the bid is taking an infrastructure. So, if they are seeking a house, if you look at the investment options as furniture, well we are not asking for any furniture. We are just saying can you get any furniture that we want at any time in your warehouse or outside of her warehouse. So, that's the differences really. You know, if Jake, if it pleases the Chair… if he wants to expand on that, because I know that, you know, Arnerich does this, you know, all day long, so…

CHAIRMAN REED: Mr. O'Shaughnessy, did you have something to add?

JACOB O'SHAUGHNESSY: Yes, certainly. Thank you. You know, another, you know, first a setback. It is our expectation that the 457 plans such as the State of Nevada have some form of book value guarantee account in their plan to offer to participants. Across the 457 plans we work with, that is the most popular option. Again, our expectation as a result of the RFP is that there is a book value guarantee account in the plan. So, I have heard some commentary around the RFP precluding an account like our Hartford General Account or a proprietary fund. So, you know, again without going too far into the RFP itself, Question C1 and C29 of the RFP explicitly solicit information with regard to the administrative partner and their thoughts around either a proprietary account, i.e. a General/Fixed Account or a Stable Value Account. So, we do incorporate that into the RFP process. Now, one thing I think that needs to be clear, the Hartford has a General and Fixed Account, which you currently offer to your participants. Most, if not all, providers that will bid on your plan are likely to have a similar general or fixed account for you to consider. That is a huge part of the process of RFP consideration. There is a section on investment flexibility. That section contains the questioning around the stable value or fixed account. During the consideration of the optimal administrative partner, this will be factored into the equation. So, again, the two points I want to highlight; it is incorporated information is solicited in the RFP. My expectation would be that there would continue to be some sort of book value guarantee in the program going forward and you know, finally, you know, other providers out there… many providers offer similar type of vehicles to the Hartford. So, I wouldn't want participants to think that as a result of the RFP, a place where they can put their money in, there is some form of insurance guarantee of their principal and interest. That is very likely to continue to be the case going forward. During the RFP, we simply want to evaluate that teeter-totter. Again, looking at the return available for the risks that the plan and the participants are taking on to obtain that risk and create the optimal option there with the book value guarantee for the participants. So, that is part impartial to the RFP process. So, those would be my comments there.

CHAIRMAN REED: Mr. Davie:

VICE CHAIR DAVIE: Thank you, Mr. Chairman. And again, just to provide a historical example as I know Rex and I are familiar with. The another Committee members were not here then, but in reference to the one of the ideas of the RFP is to find out what the limitations are of the record keepers that are bidding and that is really important and we found that out last year when we tried to make a change to an international fund that was on the Hartford platform and most of the international funds out there from my understanding, the testimony that we received, require redemption fees and it wasn't until we got into that that we found out that that record keeper could not handle redemption fees. So, that is a limitation that we did not even know about in the current contract and that's the kind of things we want to find out through this RFP process. If we go with your company, what limitations are you going to put on us to limit the options that we have to provide for our participants. And that is really important and we just had a perfect example of that last year when we tried to make a change. We had an option that we thought was not in the best interest of our participants. We had another option that this Committee was ready to vote on and put in its place and we could not do it because the current record keeper could not handle redemption fees and that is a limitation we need to know about going forward with any record keeper that we contract with. We need to know those limitations and how, you know, how open is this architecture and how limited is it going to be depending on which record keeper ends up with the State's business. So, I just wanted to point out that historical example. Thank you, Mr. Chair.

VICE CHAIR DAVIE: Thank you, Mr. Davie. Anyone else? Mr. Sisco?

SCOTT SISCO: I just want to make sure that I get one of the questions asked that's been e-mailed to me or transmitted to me by some of the participants. It's kind of two-fold. One is some concern raised that the type of Guaranteed Account if you will or Stable Value Account we are looking for is only offered by insurance company and that kind of ties into the second part about that, which is the way that RFP is now structured. Unless you have almost been in this room and you've heard all of this that some of these folks may not bid on these because, you know, because of the confusion with, you know, with how different it is from the last one and how it's not, you know, not calling for some of these things. So, whether you or Jake or somebody can kind of just address that so that…. I know there is another comment period for the folks, and if they don't get that answered, they might want to come up and ask about it.

TARA HAGAN: I defer that question to Jake.

JACOB O'SHAUGHNESSY: Mr. Chairman?

CHAIRMAN REED: Yes, please proceed.

JACOB O'SHAUGHNESSY: Thank you. Well, our experience, you know, doing several of these you know, each year and you know, maybe nearly a hundred over the last several years. You know, the providers will understand that vernacular. You know, my experience has been that they understand what that questioning is referring to. You know, the world has moved to much more of this "open architecture forum" and since the last bid was put out in 2007, that movement has accelerated. But again, it is still very, very common for plans such as Nevada Deferred Compensation to have a general or fixed account with their providers. Frankly, the providers really like to have those products in there by and large because it is an additional revenue source for them. So they will look, and again, that is where we ask question one in the investment section is, you know, do you have any proprietary fund requirements, and what that question means and what the keys to the providers here is a proprietary fund requirement would mean something like you have to have our general account. And so, usually how that will work is the provider will say, if you use our general account, the record keeping and administration costs would be X. If we cannot require you to use our general and fixed account and we cannot receive revenue off of that, our charge to an administrator plan would be Y and Y is probably going to be more than X, right? Because they are going to calculate the revenue they expect to get out of that General Account and perhaps discount the administrative fee. But, if all the revenue they are going to get out of your plan is administrative only and they don't have the requirement that used their proprietary fund, they are probably going to charge a little more for the administration. That makes sense to me. But, we want them to be clear about what is that charge for administration. The overall value proposition that this partner brings to the table will… one of those factors of that big global value proposition is… if we want a general account vehicle, what rate will you commit to provide to us and what is our assessment of your ability to make good on that commitment. So, that is in general how we structure the RFP portion. That's all for now.

SCOTT SISCO: Thank you.

CHAIRMAN REED: Thank you, Mr. O'Shaughnessy.

JACOB O'SHAUGHNESSY: Yes sir.

CHAIRMAN REED: Anything else from the committee members? Ms. Hagan, are you done as well? Okay. Let's go on to Item 3B, Hartford Requested Contract Amendments for Nevada Guaranteed Coverage.

TARA HAGAN: Thank you, Mr. Chair, and I know this was a request by a Committee member to revisit the issue. And just to kind of reiterate. This would require the plan move to a group annuity contract, which we haven't had since 2002. And then I think also there's limitations to the coverage. It doesn't obviously as we know provide 100% coverage. It is up to a hundred thousand dollars. In addition to, which I don't… I know we have talked about this several times, but, when we were looking at the guaranty association, we also discovered there is a limit that the association puts in terms of the credit rating cannot exceed an average rate and digging into the statute, the average rate is tied to a benchmark. When we did, I don't remember which meeting it was last year, but when we did the analysis on our current contract and the crediting rates that are being received, or have been received throughout the contract period from Hartford versus the benchmark, … we were higher than the benchmark to the tune of I believe nearly one hundred basis points or one percent and so, maybe less than that, maybe 75. And so, obviously, then that coverage would go up to that benchmark and not over it. So, participants would get some coverage but not in excess of that average crediting rate. And then, staff and Arnerich is recommending more of a long-term solution, which would be to no longer allow plan assets to be held by insurers and to even have this obligation on the table, which would be to move those assets to trusts and then also utilize multiple financial institutions to wrap those plan funds or insure those book value guarantees. And, I think the other point, and I know Jake brought this up as part of the question to the Hartford is it is problematic going forward that the annuity business is ceasing with the Hartford this month and whether our insurance commission, and I have a call into them and I haven't heard back, but I think that is the key, would recognize this relationship simply because it is an annuity people would have to annuitize under it and I wonder how the insurance company looks at that in terms of if there is no annuity going forward since you can't have annuity with Hartford starting this month. So, I think there's a lot of questions there. But, obviously, like I said, what staff and Arnerich would say is we have a long-term solution in plan… in which there would be 100% coverage because we would be moving assets out of an insurer's general account.

CHAIRMAN REED: Mr. Sisco?

SCOTT SISCO: And thank you for coming back to this. So I think what I just heard you say is that you and our consultant have decided on a long-term solution to move away from the Guaranteed Account. Is that what you said?

TARA HAGAN: No. What I am saying is obviously, the longer term solution would be to not have plan assets as general obligations of a firm.

SCOTT SISCO: Okay. Can I continue? Okay, so my question earlier, much earlier on… I am trying to remember it, was, we went through this whole process. We went to the Legislature. We got the ability to do this.

TARA HAGAN: We didn't. Just the…

SCOTT SISCO: Well, the Committee did. No... Okay, I guess I misunderstood. Okay. But, there is a possibility out there for us to insure this money and most of what we have been talking about in the last two meetings is this concern over this Guaranteed Account and somewhere along the line, there was a contract almost there with Hartford to do this and then it was cancelled?

TARA HAGAN: No, that is not correct.

SCOTT SISCO: That is not correct? Okay. So, we just decided that we weren't going to pursue that for…

TARA HAGAN: That was the February meeting, I think, that the decision was made not to move forward.

CHAIRMAN REED: Mr. Sisco, I would like to point out that there is no possibility we can go forward at this time because we are not structured to take advantage of that. We would have to change various elements of our plan, if I remember correctly.

TARA HAGAN: Yes, and also I think with this structure, we would have to talk to the insurance commission to see if this contract would even be recognized given the issues, unsettled corporate environment and the decision by Hartford to no longer have the annuity business. They have placed that into runoff.

SCOTT SISCO: But we dropped that at the meeting before they announced they were going to sell it. So, again, I guess I am just trying… what was the impetus to drop that? I understand and I don't think actually we got a definitive answer or whether not they could or couldn't, you know, to still do something like that.

TARA HAGAN: Right. I agree. We have got to talk to the insurance commission.

SCOTT SISCO: So, we dropped that. Yeah, we dropped that before they actually told they were going to sell their business. And, again, just for my clarification and for the public here, what was the impetus for dropping that?

TARA HAGAN: The group annuity, what it does is actually it creates liability for the Committee and additional participants because when you are under a group annuity and participants choose to annuitize their benefit, that annuity or that insurer then is the responsibility of the Committee to insure that throughout the annuity, which as we know could be 20 or 30+ years, the Committee is responsible to insure that financial health of that insurance company remains viable. So should… the committee could move to another provider. You still have somebody that is annuitized within the insurance company that maybe you did business with five years ago, but you still have a fiduciary responsibility for those assets that you no longer have control over. So, if that insurance company became insolvent, the plan would be liable to then make up the difference for what that participant has lost.

SCOTT SISCO: Okay, thank you very much. That is what I was looking for, and again, I don't understand it well enough. I am sure if participants are still concerned, they will bring up, but that's what I was looking for… to understand why we made that decision. Thank you.

TARA HAGAN: Thank you.

CHAIRMAN REED: Mr. Sisco, if I can just give you an example, a hypothetical example. Let's say somebody annuitized 250 thousand dollars and in a fairly short order that company that had the annuity went out of business. That 250 thousand dollars first of all would not be covered in its entirety. Probably less than 100 thousand would be covered because of a difference in crediting rate. But then, what would happen is we would have to make that person whole that had that annuity. We would basically have to go to other participants and take a little bit of their money to make that person whole. So, we decided that is probably not the appropriate way to go. Any other comments or questions from the committee? Okay. We are now in Item 4, *Comments and Updates.* I would ask … any of our investment consultants or service providers if they would like to come to the table at this time, they can do so. Would ING have anything they would like to add? No. Hartford?

JEFF MORROW: Jeff Morrow from Hartford. Just one brief closing comment. In my position, I have traveled pretty extensively over the past few weeks meeting with clients of Hartford of all different sizes. I have had numerous conversations with clients as well, consultants, advisors and others that are business partners out in the field, and I just want to share a very brief overview of what we are hearing. Certainly, we are hearing certain things here with this Committee, but I thought it might be helpful to hear, for you to hear what other committees are thinking. By and large, we are hearing that committees want to be informed. Committees want to know what is going on to the extent that we can share any information and we continue to commit to them to do that and to you as well. Committees are understanding in that there are no changes to the contract. The contract continues throughout this period for us. The promises continue to be supported based on the contract language that we have today. There is continual investment in the business. So, it is really is the same contract, same promises and same people. So, I just want to directly commit that to you as well and overall, we recognize there are uncertainties, although those are the certain pieces. The uncertainties are who? The uncertainty is really, who the suitor will be and a lot of the committees that I have spoken to are very anxious for that information as I suspect you will be and I think a lot of the uncertainties around the direction of our business, in particular, how it affects the State of Nevada and its participants, will arise and come out once that information is made available. So, we have announced that 12-18 months is the full time-frame. We wouldn't at all be surprised if we have that information on the suitor name some time in the middle. That would not be uncommon in this type of transaction and we firmly suspect and will be there to support you once that information is made available so you can make a complete evaluation of not just the contract, but also the administrative services agreement, which are really the two overriding documents that govern the relationship that we have today with the State of Nevada and the relationship that we will have going forward. I just wanted to share that experience with everyone.

CHAIRMAN REED: Any comments or questions from Committee? I do have one. You mentioned other committees like to be informed and I guess, we would too. Mr. O'Shaughnessy has pointed out that he believes that other clients of yours are looking at the General Account the same way we are and in order to be informed, I would like to know if it is possible that you would tell us if any of your other clients, and I think I know what the answer is already, but I do want it on public record, I would be curious to know if you would be willing to tell us if other clients that are tied to the General Account start pulling out?

JEFF MORROW: Well, if I can respond just in experience to date with direct conversations and meetings with about 209 of our clients that are 10 million dollars or greater. That represents the segment of the market that we have been focusing a lot of our attention on through direct discussions. There hasn't been a single discussion frankly with the exception of the one here today where a client has and a consultant has expressed any concern directly to my knowledge with regard to the ratings downgrade and the claims' paying ability of the Hartford. There are a lot of discussions around the future of the business and we recognize and understand that and are doing our best to provide the information as it becomes available. Now, that is not to say that there aren't conversations that I am not aware, and I am also realistic in knowing every committee and plan has their own different perspective of the series of events. So, I am not sure if that answers your question. I would be happy to elaborate if it doesn't, but my experience has been that there really hasn't been that kind of feedback.

CHAIRMAN REED: I appreciate your answer. Thank you. I won't go any further with that one. If I can, I would like to ask you again, the retirement plan is part of what operation at Hartford now?

JEFF MORROW: The two that we have talked a lot about, although there are several; Hartford Fire, Hartford… there is the parent holding company, there is a number of entities. The two that we have been talking most about are Hartford Life, which is where the retirement plan's business resides and Hartford Life and Annuity, which is where the business… the runoff business resides and that is also where the confusion earlier was on the ratings because S&P rated Hartford Life and Annuity differently than they rated Hartford Life. So, to answer your question directly, the retirement plans group falls under Hartford Life and if you look at your contract today, you will see that it is a contract specifically between Hartford Life Insurance Company and the State of Nevada.

CHAIRMAN REED: Okay, and then my follow-up to that is the General Account tied or integrated or supporting operations other than the retirement plan?

JEFF MORROW: Yes. The answer is yes. So, S&P is only breaking down the company for their evaluation purposes. The company really resides in two pieces. We have a property casualty company…

JEFF MORROW: And a life company. Each maintains their own General Account for their own purposes. So, the breakdown as S&P has done, it really has just been an effort on their part to just evaluate the different pieces of the company because the announcement came in pieces.

JEFF MORROW: So, hopefully that helps, but that answer is the General Account specific to the State of Nevada and our retirement business resides within the Hartford Life General Account.

CHAIRMAN REED: Thank you, and then another follow-up question. I am sorry I am going on more than just one, but if something happens in say one element of the Hartford Life, it could have an impact on what money is available in the General Account to pay off the retirement plan liabilities.

JEFF MORROW: So I guess, define if something happens. I guess I'm…

CHAIRMAN REED: Okay, let's just say, all of a sudden, some other part of Hartford Life needed, other than the retirement plan, needed a cash flow or needed to satisfy a liability somewhere in their operations, would that have impact on the money available in the General Fund, or the General Account, to pay off say our plan?

JEFF MORROW: So, the General Account is comprised of participants in many different product lines, not just the retirement but individual products all within the life division.

JEFF MORROW: There is certainly some experience within the General Account in terms of cash flows and deposits and dollars in and out and how that really reflects the portfolio overall in its management. So, as it relates to activities from other lines within the Life business, absolutely. Everybody is in the same pot together. As it relates to the business operations specifically, I am not sure I am fully comfortable getting to the crux of the answer, but we will get back to you because my understanding, which I will clarify is that the General Account is specific to the obligations of the dollars that are in there by the participants within the products that they've purchased. So, it talks… we have talked a little bit and provided a document earlier that talks about if Hartford had an insolvency scenario, how would those assets be made available and you could see in the order that it was really high on the order list because it was for the purpose with the exception of paying for State Guaranty Fund and other functional matters really as they came in first in line. So, I will have to get back to you, Mr. Chair, if it is okay because I understand your question and I am not sure that I am really in a position to give you a good answer.

CHAIRMAN REED: Well, let me carry it a little further then. So, if we are not talking about retirement plans. Let's say we are talking about the life insurance business with Hartford. If all of sudden they had problems meeting their life insurance obligations for their individual policies that they sold, it would have impact on the General Account that supports our plan.

JEFF MORROW: It would, of course. But, whether it is the individual business or a multiple group of businesses, as we indicated earlier, we are required by the state insurance department to withhold certain levels of surplus to provide assurances for those guarantees. We maintain levels in excess of that in fact, when you ironically enough look at the ratings back to 2007, which is factual that our ratings were higher, our RBC, or surplus levels, were quite a bit lower at that time. So, we have to maintain that for the business and the General Fund and maintain proper surplus and dollars to support those guarantees to the extent that we get into those, then obviously the issues would arise where the question would be do we have the ability any longer to actually meet the promises that we have outstanding. We don't at all feel from a capital surplus perspective, that is the case today, but I think that is a good part of any ongoing evaluation.

CHAIRMAN REED: Well, one more question and I really appreciate your patience. Let me state it this way…. It sounds what you are saying, and correct me if I am wrong, that the Class 3 participants includes not only us and all of the other people in the Deferred Compensation Plan that rely upon the General account, but also any other aspect of the life insurance business including individual plans that have been sold, annuities, etc., those kinds of things, guarantees.

JEFF MORROW: Absolutely. It is all in the same general account. In our announcement to run off one piece of that is specific to the future growth, not relative to the promises that are existing. We are going to continue to service the contracts that we have sold within that division. We are going to continue to support that promises that we made. We are not backing away from those. We are just saying we are not going to view this as future growth piece of our business and we are going to essentially cap it.

CHAIRMAN REED: Okay, and then, I apologize, one more. I guess I have been leading you on. When you sell the retirement plan and I don't need an answer, but I guess I just want the Committee to know I am curious how they are going to split up and maybe if you want to answer it, that is fine. How are you going to split all of the money that you "have in the General Account" and decide this is gonna go to the retirement plans, this is gonna go to life insurance, this is gonna go to your annuity business. I mean, that is a real concern I have. I mean, how are you going to split it up when you sell? But, if you want to try to answer that, that is fine. I guess I made my point.

JEFF MORROW: Yeah… No. I, as was mentioned by Mike Conley, our CFO earlier, there are several possible scenarios as it relates to the sale of the business and specifically the general account would be a piece of that. So, I think it would be probably wrong for us at least to allude to some of the possibilities that we see because there are a few different options as to whether or not it continues to sit on Hartford paper, whether it goes to… the promise of the guarantee goes to another carrier and they assume that responsibility, so there are variations. I think again, once we have a name and we have an intention, I think those answers will come out and I think you will be in a much better position to make some good decisions around how you feel it impacts you. Today, it's speculation but again, in some short period of time we hope to give you more information to help you make a much clearer evaluation on the facts.

CHAIRMAN REED: Thank you, Mr. Morrow. I think I heard somebody on the telephone.

MIKE CONLEY: Hi, it's Mike Conley. I just wanted to clarify that point to your question that I actually do have segregated assets to back all retirement plans that are identifiable and in a portfolio and that is how we manage it. So, the General Account, although it gets pooled together for external reporting, I have line of sight visibility into each CUSIP, and each security identifies any of the General Account… all of my General Account obligations. So, there wouldn't be a need to split between the various businesses. You know, we could get into a scenario where we are negotiating that with a buyer, but it would be starting from a point of here's the exact assets we need to back our obligation.

CHAIRMAN REED: Thank you, Mr. Conley. Now, I have a question for you, which is you are telling me they are segregated. Is that segregated strictly for accounting purposes, or is that I am trying to think of the way to articulate this… legally separated so they are not subject to claims from other aspects of your business?

MIKE CONLEY: I don't think they are legally separated because they are contained within the same legal entity, but we would manage them in a portfolio sense to where they are identifiable for accounting purposes.

CHAIRMAN REED: Thank you. Any other questions from the Committee? Mr. Davie?

JACOB O'SHAUGHNESSY: Mr. Chair, this is Jake. May I ask a quick question?

CHAIRMAN REED: Yes, Mr. O'Shaughnessy. Thank you. Well, let me ask you this. Are you asking it of the Hartford, or of the Committee, or is it a question, or a comment, or what?

JACOB O'SHAUGHNESSY: The Hartford to Mr. Conley, sir.

CHAIRMAN REED: Well then, let me ask Mr. Conley if he would accept a question.

MIKE CONLEY: Sure, go ahead.

JACOB O'SHAUGHNESSY: Mr. Conley, would you be able to provide those identifiers, the identified securities for, pardon me if I am wrong, either for the Nevada Deferred Comp specifically? Can you provide that information?

MIKE CONLEY: That would be a nonpublic disclosure that I couldn't offer to just one plan and as we mentioned before, the plan in question would have a pro rata slice of my entire eight billion _____________ retirement. So, but, yes, it is possible for me to know that. Unfortunately, I don't think I can share that with you.

JACOB O'SHAUGHNESSY: Okay, thank you. I understand.

CHAIRMEN REED: I think I saw Mr. Davie have a question. Mr. Davie and I see Mr. Sisco did. So, he will be after Mr. Davie and then I see Dr. Romo lifting his hands. So, we got several questions. Thank you.

VICE CHAIR DAVIE: Thank you, Mr. Chairman. I have a couple of questions too. First of all, I want to get back to the Chairman's first question about when you were talking about all of these clients. I know you have a lot of smaller accounts. Do all of your… do all of the clients you were talking about have investment consultants?

JEFF MORROW: This is Jeff Morrow and I get back to my earlier comments of the audience that we initially as a field force focused on. So, when we look at our book of business, that's 10 million or greater, it represents a few hundred clients and of that particular subsection of the entire book of business, I would venture to guess that somewhere in the neighborhood of 50% of those have consultants. It might be a little high, but somewhere, you know, if not close to half of those clients at least have some form of consultant whether it's traditional consultants or advisors that are consulting. So, for the audience that I was referring to earlier, I would say about half of those would have consultants.

VICE CHAIR DAVIE: Okay, thank you. Also, I was interested in the last part of this discussion because I think it is the first time I have heard that you can segregate the assets for Nevada's plan in your General Account and provide some information. I am not clear on why you can't share that with us. But I do want to get back to the point, you know, I did ask a question at the last meeting, at the last quarterly meeting and I am still waiting for a written response because for the last two years you all have told us that you have made zero revenue on the General Account. So, this quarter of a billion dollars that you have of our participants' money, you have told us the last couple of years that you haven't made a nickel or lost a nickel on it. That is very suspect to me and I don't understand how you get to that number without knowing where those assets are and what they are doing. You know, so that's why, the last time I asked for a written explanation of how you get to that number where you can tell us that you have zero revenue from a quarter of a billion dollars in your portfolio.

CHAIRMAN REED: Before you answer that, can I just elaborate a little bit on that? Thank you. Again, I am going back to semantics. Return is a term that can have several definitions. So, I want to know if when you were saying you didn't get a return on it if that included the fact that you were taking out the amount of interest you needed to pay us, or if that was just… you just kept the principal whole? Or, you can simply say we misunderstood you and that is not what you were saying.

MIKE CONLEY: You know, I have to follow back up with the former comments and what goes into that, but I can definitely tell you that anything we would have said would have been net of what we credit to individual participants.

CHAIRMAN REED: Would you identify yourself please for the record.

MIKE CONLEY: Oh, it's Mike Conley.

CHAIRMAN REED: Thank you, Mr. Conley.

MIKE CONLEY: So, in addition, and like I said, I would have to catch up with how that has been framed in previous conversations with you, but I do think those were talking about specific years as opposed not… as opposed to the lifetime or the life cycle of the individual plan.

CHAIRMAN REED: Thank you. Mr. Sisco, did you have a question?

SCOTT SISCO: Yes. Thank you and I just again want to kind of bring it down to another level because I know there are a lot of participants here that just want to make sure. A lot of this was very technical in the last two and a half minutes or so. To Mr. Morrow, the participants that are in the guaranteed account as I understand it, their funds are guaranteed and their interest rate is guaranteed. Is there anything on the horizon, on the immediate horizon that is going to affect that other than Hartford totally going belly up?

JEFF MORROW: Well, there's… and Mike, please jump if I'm… if I am not capturing the essence of the question and the answer, but essentially the promise within the contract contains two financial promises that are what you just described, which is return of principal and a certain level of interest for the period that the contract states. That guarantee is solely supported by the claims' paying ability of our firm. So, you know…

SCOTT SISCO: And also…., well if they should sell this book of business, will that contract requirement go with it to the purchaser?

JEFF MORROW: The contract itself continues on. As part of assurances that are involved with being able to write insurance contracts in the different states in the country. So, as a consumer protection, the contract will continue. The obligations and promises will continue even if there is a new company taking the responsibility of administering to the terms of the contract. So, back to the potential options, it could continue to be the obligation of the Hartford to support the specific General Account promises we discussed. If that is the case, then I certainly think it would be prudent for a committee to continue to monitor and evaluate the Hartford's ability to back what it says it will do. Could those promises be transferred and assumed by another firm, I don't have a lot of knowledge of these business transfers, but from what I hear, I suspect that is a possibility. But, again, I think getting back to once we know and once we have more clarity, I think this committee would be in a position to make some better decisions on how the facts once we know them, relate to your plan in particular.

CHAIRMAN REED: Mr. Romo, do you have a question?

JACOB O'SHAUGHNESSY: Mr. Chair, can I ask a question? This is Jake again.

CHAIRMAN REED: Mr. O'Shaughnessy, whom do you want the question to go to?

JACOB O'SHAUGHNESSY: Mr. Morrow, if I could.

CHAIRMAN REED: Mr. Morrow?

JEFF MORROW: Sure.

CHAIRMAN REED: Okay. Thank you. Mr. O'Shaughnessy, please proceed.

JACOB O'SHAUGHNESSY: Thank you. In your opinion, if the Hartford Retirement Unit were to be acquired, would the acquirer be required to fulfill the commitment and the rate in the Hartford's contract?

JEFF MORROW: So, as part of the contract me make, we make several guarantees, … several assurances, one of which is specific to the General Account. So Jake, I will assume your question is particular to the guarantees of the General Account?

JACOB O'SHAUGHNESSY: Yes. Yes sir.

JEFF MORROW: Okay. So as I stated earlier, I think one of the options that I understand is that the Hartford could continue to be obligated to support the guarantees that are within the general account today. So, the guarantees being the rate, floor rate and the ongoing rate. So, it is possible that the Hartford would continue to have that obligation. But, again, is it also a possibility that another firm that takes on the administration of our business that they would agree to take on as part of the business arrangement the responsibilities specific to the General Account. I understand that to be possible. Once again, no indication of which direction it may go or as to whether or not there are other possibilities. So again, I guess I get back to once the facts are there, I think this would certainly be a valid discussion to continue to have.

CHAIRMAN REED: Thank you, Mr. Morrow. It appears Mr. Menicucci will have a question.

JEFF MENICUCCI: Without looking at the actual contract, perhaps I shouldn't comment, but the standard state contract requires a prior written consent in the assignment. And if this is one of those, then that would be an issue that would have to be dealt with by the Committee if there were to be a sale of assets and attempted assignment of Hartford's obligations they are under.

CHAIRMAN REED: Thank you, Mr. Menicucci. Mr. or Dr. Romo, do you have questions.

CARLOS ROMOS: I guess I am going on Hartford's history for the past 15 years of providers and earlier I was talking to Committee Member Davie and I simply said, you need to be the historian because he brings a good perspective as do you, Mr. Rex, Mr. Reed. But, I guess my question to Mr. Morrow would be simply I think you mentioned something like 209 discussions with similar clients or groups like ours. Has that been since the time you announced the sale of the Hartford retirement fund?

JEFF MORROW: It has, yes. That is the result of the efforts of my group, which is really folks like Mr. Trenerry across the county and other support groups that we have internally. So, that was our outreach program and it was really for that audience and we fully completed that and so my response is to the reactions I have gotten so far is consistent with that.

CARLOS ROMOS: And would that have been throughout the United States, or just…

JEFF MORROW: Yeah, specifically government. Well, I say 99.9% government plans because, although we have responsibility for a group under Mr. MacQuattie, tax exempt includes 403 and other nonprofit agencies that… that subsection that I refer to, that 10 million or better size client, is almost exclusively government.

CARLOS RAMOS: Thank you for clarifying that.

CHAIRMAN REED: Any other questions or comments? I have one comment, I should say one question for Mr. Conley. Are you there sir?

MIKE CONLEY: I am.

CHAIRMAN REED: What I would like to know is if you said you have the underlying assets segregated. What I would like to know in the General Account for the State of Nevada, are there collateralized debt obligations?

MIKE CONLEY: Off the top of my head, I don't know the answer to that and I am not sure I could disclose that to just one plan.

CHAIRMAN REED: Thank you. Are there any other questions or comments for the Hartford? Hearing none or seeing none, I thank you both, gentleman, all three of you, Mr. Conley, Mr. Morrow and Mr. Trenerry. ING has said that they are happy to pass and … I guess that leaves just Mr. O'Shaughnessy, if you have any comments under this section for our consultants and service providers, now is your time to provide any discussion or comments.

JACOB O'SHAUGHNESSY: Sure, first of all, I will be very brief. I wanted to really thank everybody in the audience for their comments. I wanted to thank all of the Committee members for their time and consideration of this very, very complex and important issue. I wanted to let you know, you know, that I will absolutely continue to monitor all of the investments in the program, you know, and I really strive to serve, you know, as a resource for the Committee and I want to be a trusted partner to the Committee and their participants. You know, under my observation, this is, you know, this is part impartial to why there is an RFP periodically, is to vent exactly the issues that we are discussing today. So, you know, there may be a bit of angst around the table and in room perhaps, but on some level, this is a healthy process, and again I just wanted to thank everybody there for their time and consideration.

CHAIRMAN REED: Thank you, Mr. O'Shaughnessy. Now, the Deputy Attorney General. Do you have any comments, Mr. Menicucci?

JEFF MENICUCCI: I have nothing further, thank you.

CHAIRMAN REED: Thank you. Committee members, any comments? Oh, I guess several. We will start with Mr. Davie then.

VICE CHAIR DAVIE: Thank you, Mr. Chairman, and this is not relevant to anything to anything that was on the Agenda. But, I think… we have been remiss in not thanking Andy MacKay publicly putting on the record his service on this Committee. I know, we did the other member that left but I don't think we specifically mentioned Andy MacKay and he was a big part of this Committee the last couple of years. He was the victim of that provision that so many of us missed going through session that didn't allow someone to serve on two boards at the same time and the other board he serves on pays his salary. So, obviously, he had to give this one up. But he was a valued member of this Committee. He started, you know, with no knowledge like all of us did at the beginning when they get on this Committee and he was never shy about asking questions and I definitely appreciated his inquisitiveness and willingness to learn everything that he could about the process and about the Committee and the program. And I don't know if this was his idea, but one thing I think we have gotten away from. You know, we went through a severe session of budget cuts a couple of years ago and so we were looking for every way to save money in this program and one of thing that we were doing, and I think we have gotten away from it, is that we recycle these binders from our meetings. So, you know, I would just ask that we continue that tradition in honor of any Andy MacKay and his leaving the Committee and basically what we do is just take the guts out of here and just give the binders back and that lets our staff reuse them and save our participants and our program some a few bucks here or there. Thank you, Mr. Chairman.

CHAIRMAN REED: Thank you, Mr. Davie. And I have to echo what Mr. Davie said about Andy MacKay. It was great having him on the Committee. I am sorry he had to leave, but when the law changes, we all understand what happens and what you have to do. Any other comments from committee? Mr. Sisco?

SCOTT SISCO: Thank you, Mr. Chairman. I just wanted to say, you know, it is interesting because three-fifths of this Committee is now brand new, or fairly new. We came on as Mr. Davie mentioned earlier at a particularly difficult and rough time. And unfortunately, we have had some difficult situations, you know, decisions to make in front of us and what not and we all come at that from different perspectives. Some of you have a lot more history and a lot more knowledge. Others of us are trying to learn as quickly as we can and come to decisions. But, even though we don't always agree, I don't think a single Committee member today didn't take their fiduciary responsibility, you know, completely seriously and didn't take a responsibility to do it in the best interest of the participants' complete responsibility. So, hopefully, we can all continue to, you know, move through this process and ultimately we will hopefully, you know, come to the same place and that's making the best decisions we can for the participants. So, I just wanted to say that because it has been difficult for you guys to get used to us as being new and us for getting used to, you know, what is going on this committee and we are trying as best we can, I think. Thank you.

CHAIRMAN REED: Thank you, Mr. Sisco. Anybody else? Dr. Romo?

CARLOS ROMO: I just, again wanted to tell you both my first day and the great welcome I had here. I appreciate it. Birth by fire, I guess, is what you call it. I don't know. But, I echo what Mr. Sisco indicates that my interest is in doing what is right in my view personally for the participants; however, I am always open and I want people to understand that the more information I get, the better issues that are brought before that I understand, I think the more informed I will be. So, I appreciate both Ms. Hagan's information, the providers and everyone else because this is starting an educating possibility. And then on the subjective of Mr. Davie's concern regarding recycling, that is just what I do with my binders. So, this isn't even an official one. It's my own. So, I recycled it. So, thank you for bringing that up.

CHAIRMAN REED: Ms. Oliver, do you have anything?

KAREN OLIVER: I just echo that it is a tremendous learning curve and there is a lot of experience on the Board having served committees and what not, and that is exactly why my best interest is for the participant and I strongly feel that we need to take the time and also educate them and have them come along with us. Thank you.

CHAIRMAN REED: I would like to thank all of the Committee for their comments. I do want to point out a couple of things. Number one, for the Committee members, as some of you know, I work for the Department of Corrections and the inmates or sue happy. I get sued a lot. I have gone through void dires. I have, you know, had to testify in court. I have had the uncomfortable position of having to tell the judge no and I use that to introduce my next comment, which is I am still very uncomfortable if we do get sued having to get on a stand and have to tell somebody that no, we decided we didn't want information. So, I hope the Committee members keep that in mind. The second thing I would like to do is thank Ms. Hagan and Mrs. Potts. They always do an excellent job. I think the staff should always be complemented on how smooth these operations run. I know we all at the Committee feel that it is great to have them for our staff and if I am not mistaken, isn't Mrs. Potts going to be leaving soon? She will be at the June meeting. Okay, then we are definitely going to have to say goodbye at that time. So, I just want to make sure if you are leaving before then, we didn't get a chance to say goodbye and tell you how much we have appreciated all that you have done for us. And, I also want to thank Jeff Menicucci for dropping in and taking Carrie Parker's place as it is important to have somebody from the AGs office and we always rely upon them to help us, and so again, thank you Jeff. We appreciate you being here on such short notice. Just a couple of weeks or so, wasn't it?

JEFF MENICUCCI: Yeah.

CHAIRMAN REED: It is hard to get up to speed in a couple of weeks, so we, again, thank you for your work. Having said that, now it is time for staff comment.

TARA HAGAN: Thank you, Mr. Chair. Just a couple of things. We will be moving forward with you know, employee meetings. So, we will be doing those in April. Those will be going out via e-mail and also working with RPEN to reach out to our retirees to educate them on the entire process, you know, in terms of all of the different investments, the RFP, everything that is going on. So, will keep you up-to-date on that. In addition, I wanted to go back to the contract issue with Hartford because I know, and thank you to Mr. Menicucci in terms of looking at our contract in terms of assignment. But, when Carrie gets back, I believe, tomorrow, staff and the Deputy Attorney General will also be looking in terms of the Hartford contract and if there is any assignment there. So, in other words, should this piece of business be sold, is there an assignment that would allow this contract to be changed per that sale or that assignment to the new owner. And, in terms of binders, one thing that we have a little push because when we moved into the Library and Archives, they were doing a little garage sale for free, so we did pick up a bunch of free binders from the Library and Archives. So, thank you.

CHAIRMAN REED: Thank you, Ms. Hagan.

CARLOS ROMO: Mr. Chair. I just want to be sure we will be informed of those meetings so that we cannot only spread the word for those people who might not get information, but we might be able to attend also.

CHAIRMAN REED: We are done with the Agenda. However, I want to open it up to public comment one more time. Is there anybody in the Las Vegas office or meeting room that would like to provide a comment? I don't see any movement. Anybody on the telephone that would like to provide public comment? Hearing none, anybody in the Carson City office? Well, I thank everyone for participating and I thank those who came to the table and provided their comments and information and we hope to see you next time as well.

The meeting is now adjourned. It is 12:47.

LIST OF EXHIBITS

Exhibit A-1	Staff booklet, Tab I-C, Meeting Dates
Exhibit A-2	Staff booklet, Tab II-A, Stable Value Presentation
Exhibit A-3	Staff booklet, Tab II-B, Hartford General Account Presentation
Exhibit A-4	Staff booklet, Tab II-D, Discussion Regarding Hartford General Account
Exhibit A-5	Staff booklet, Tab III-A, Service Provider Request for Proposal (RFP) Clarification Regarding Investment Options
Exhibit B	Staff Presentation, Pages 1-15
Exhibit C	Retain current General Guaranteed Interest Option signed form
Exhibit D	Is the testimony from participant Mr. Howard Goodman
Exhibit E	Hartford handout named *Achieve What's Ahead*