



June 2012 NDC Committee Meeting





Hiring New Executive Officer

- Executive Staff Supports Committee
 - Plan's Mission
 - Fiduciary Oversight
 - Overall Plan Quality

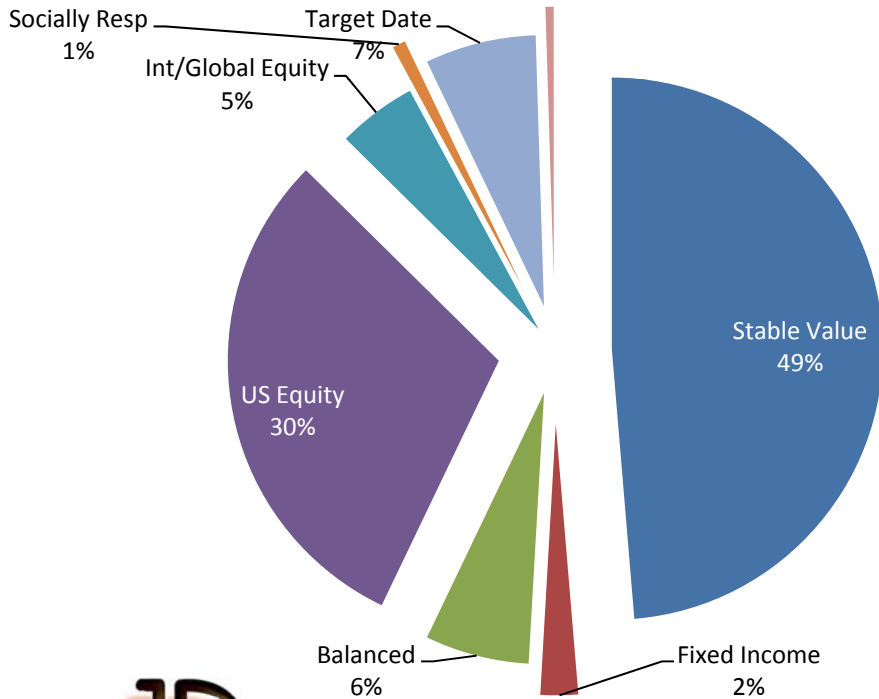


Value Added

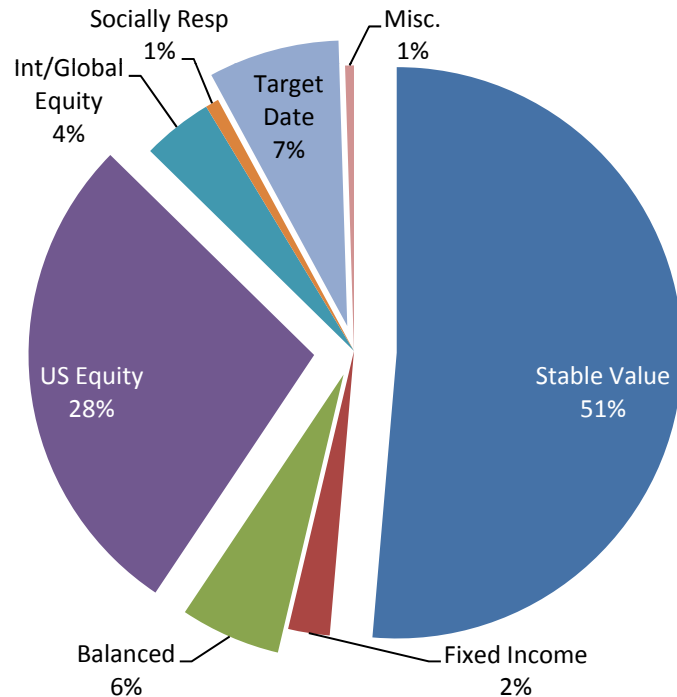
- Over \$700,000 returned to Participants
- Reduction in Investment Option Fees
 - 0.68 vs. 0.60
- Record-keeper Contract Violations
 - \$10,000 (\$5,000 per record-keeper)
- Market Timing Settlements
 - Over \$150,000
- ING Stabilizer Fund removed at 102%
- Increase New Participants
 - 30% increase in new enrollees in 2011 vs. 2009

NDC Asset Allocation

NDC - Asset Allocation as of 3/31/11
\$ 554.36 Million








NDC - Asset Allocation as of 3/31/12
\$576.05 Million





Plan Activity

	1Q 11	1Q 12	% Change
Total Participants	12,884	13,104	 1.7%
New Participants	140	184	 31.4%
Quarterly Cash Flow	\$9.63 Million	\$11.03 Million	 14.5%
Individual Mtg with Reps	2,204	1,614	 26.8%
Group Enrollment Meetings	199	149	 25.1%
Rollovers In (included in cash flow)	\$1.08 Million	\$1.64 Million	 51.9%



Leakage

	1Q 11	1Q 12	% Change	
Total Number Withdrawals (Full Only)	122 \$1.10 Million	95 \$1.31 Million		-22.1% +19.1%
Total # of Rollovers (Out of Plan)	86 \$4.13 Million	66 \$2.53 Million		-23.3% +38.7%
Total Number of Service Buybacks (NVPERS)	51 \$1.51 Million	54 \$1.48 Million		+5.9% -2%
Total Number Unforeseen Emergencies	31 \$122,424	32 \$199,192		-3.2% + 62.7%
TOTAL MONEY OUT* *Does not include routine money out (RMDS, partials, or SWOS)	\$6.86 Million	\$5.53 Million		19.4%

Arrows represent money only



State Government Retirements





Performance Indicators

Performance Indicators	1Q 2012 (March 31, 2012)	FY 12 Goal	% of Goal
Total Participants*	13,104	13,044	100%+
Participation Rate*	22%	23%	96%
Percent of funds with top ratings (4-5 stars)	44%	75%	59%
Average Annual Costs to Participants**	0.61%	0.68%	100%+
Percent of Customers' Calls to providers answered within 20 seconds	89.9% Hartford	80%	100%+
	96.4% ING	80%	100%+
Total Plan Assets*	\$576 million	\$498 million	100%+

** Does not include guaranteed accounts



Performance – Peer Comparison 5 year – as of 03.31.12

Large Cap (6 funds)*

- Top Quartile: 16.6%
- Top Half: 50%

- Bottom Half: **16.6%**
- Bottom Quartile: **16.6%**

Small/Mid Cap (12 funds)*

- Top Quartile: 0%
- Top Half: 25%

- Bottom Half: **58%**
- Bottom Quartile: **17%**

Balanced (2 funds)*

- Top Quartile: 50%
- Top Half: 50%

International (1 fund)*

- Top Quartile: 100%

NDC Overall Platform*

- Top Quartile: 14%
- Top Half: 33%

- Bottom Half: **39%**
- Bottom Quartile: **14%**



* Actively managed funds only, excludes socially responsible and global funds.



Hartford's Non-spousal Beneficiary Processing

- Beneficiary Complaint
 - Sizable account
 - Required to take a 100% cash distribution
 - Hartford failed to:
 - Distribute requested partial lump sum
 - Provide systematic payment illustrations
 - Comply with 2009 Waiver



IRC 401(a)(9) Regulations

- Beneficiary distributions choices:
 - Life Expectancy
 - OR
 - 100% cash on fifth anniversary (5-year Rule)
- If Plan document is silent on the method, distributions **MUST** be paid in accordance with life expectancy.
- 2009 Waiver (Section 401(a)(9)(H))
 - Allowed beneficiaries may exclude 2009 from 5-year calculation



Current Record-keeper Policies

- Hartford defaults to 5-year Rule
 - Significant tax liability for beneficiary
 - Prevent further tax-deferred growth
 - Increase plan leakage
- ING defaults to Life Expectancy
 - Account remains tax-deferred
 - Can be taken more frequently, if desired



Staff Recommendations

- Amend Hartford/NDC Scope of Work
- Amend NDC plan document
 - Add the following to Article VIII, Section 8.2:
 - *Should a beneficiary fail to make a timely distribution election, the Administrator shall default the beneficiary to the life expectancy distribution method in accordance with the provisions of Section 401(a)(9) of the Code.*



2014-15 Biennium Budget

- Staff proposed decrease in Budget
 - 7% decrease from projected base
 - 16% decrease from FY 12 Legislative approved budget
- Expected Changes:
 - \$60,000 reduction in investment consulting fees
 - \$75,000 reduction in consulting services
 - Propose cost savings used for:
 - Upgraded technology equipment (\$3,500)
 - Increase in-state travel
 - Increase out-of-state travel



Performance Indicators

- Continue to include Total Plan Data
- Indicators:
 - Quality Investment Options
 - Minimal Costs to Participants
 - Customer Service Amend to Participant Satisfaction
 - Plan Participants
 - Plan Assets
 - Participation Rate



FY 11 Financial Audit Report

- Primary Purpose
 - Program Financial Statements (457(b) and FICA Alternative)
 - Record-keeper Performance
 - Payroll Centers
 - Participating Employers
- 2012 NAGDCA Survey
 - 64% of state 457(b) plans are audited annually
 - 90% of these plans utilize an external third-party



Recommended Motion

- Motion to approve the Clifton Larson Allen Financial Audit reports and statements and direct Staff to begin the process of resolution on the necessary items



Clifton Larson Allen Contract Amendment

- 2009 Request for Proposal (RFP)
 - 3 Firms Bid:
 - Clifton Gunderson
 - Larson Allen
 - Mayer Hoffman McCann
 - Clifton Gunderson and Larson Allen has since merged into one company



Rationale for Hiring Clifton

- Decision to award contract to Clifton based on:
 - Commitment and relevant experience
 - Partner, supervisory and staff qualifications
 - Competitive fee structure
 - Excellent references
- Firms eliminated due to:
 - Limited experience with 457(b) governmental plans
 - Limited references similar to NDC
 - Excessive fees



Staff Recommendation

- Motion to direct Staff to work with Legal to renegotiate under the current contract for a period of three-years.

Should the contract negotiations be unsuccessful, the Committee will need to begin the RFP process at the August meeting.