Brian Sandoval Governor

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## Nevada Public Employees' Deferred Compensation Program

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NDOC
Brian Davie, Vice Chair
LCB
Karen Oliver
GCB
Dr. Carlos Romo
Retired
Scott Sisco
NDOT

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## DEFERRED COMPENSATION COMMITTEE MINUTES FOR CLOSED MEETING Thursday, June 21, 2012

These minutes are a draft subject to approval by the Deferred Compensation Committee at the next regularly scheduled meeting. The agenda for this meeting was posted according to the Nevada Open Meeting Law and was sent to groups and individuals as requested.

CHAIRMAN REED: It is now two minutes after two o'clock we are now in closed session. By we, I mean the Nevada Deferred Compensation Committee, is in closed session. We are working on agenda item, please tell me I left my agenda in the other room, agenda item V J. In the room are the Committee members, all five, also is Ms. Jenny Potts who is recording for us, Jake O'Shaughnessy our Arnerich Massena consultant, and Ms. Tara Hagan who is our Executive Officer. Ms. Hagan before we proceed I just want to remind the Committee members that we are going to be giving our scores to them and then after the scoring I would ask the Committee members what they would like to do before we actually proceed with scoring. I want the record to indicate that Ms. Carrie Parker is in the room as well. We will go through the scoring first and after that we can have discussion but as I understand what Ms. Parker said is we cannot have, we should not have any votes of any kind until we go back into open session. So that means that we can't really decide which of the finalists, we cannot decide our finalists. On the flip side to say it a different way we can't decide in here who is not going to be a finalist that has to be done in open meeting. Am I correct Ms. Parker?

DAG CARRIE PARKER: Yes.

CHAIRMAN REED: Okay, thank you. So right now any comments, questions or discussion before we proceed with the scoring? I relayed what I thought is how we proceed here if you think I'm wrong please say so now.

BRIAN DAVIE: So just to clarify, the scoring will determine the finalists. Is that correct?

TARA HAGAN: Correct.

CHAIRMAN REED: My understanding is we have to decide how many finalists we want too. But that can't be done here it has to be done in there. So we will have the scoring, after the scoring is done then we have to... We can talk about things but we can't have any motions, we can't come to a decision on how many finalists we are going to have, that's the first thing, and who those finalists are. Any other comments or questions before we get started? Ms. Parker, please.

DAG CARRIE PARKER: Also, if you'll notice Tara's chart is going to disclose the weights of the different factors. Previously we had gone in to closed session because of the weighting of the factors being confidential. Those are only confidential until the RFP is published, so they are not confidential any more. So I anticipate that maybe due to Mr. Sisco's question, there might be some discussion in the open meeting about what to do with the RFP. I would encourage that conversation to occur before the weighting of the factors is disclosed just in case if we are, if the Committee is disposed to redo the RFP

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and you want to use the same weighting factors it's not going to clue-in the bidders as to the weights of the factors.

SCOTT SISCO: That was what we needed to know in there though cause . . .

DAG CARRIE PARKER: So when we go back in to the open session if that's where you would like to go, I would recommend doing that before Tara puts the chart up.

SCOTT SISCO: Oh before if goes up? I'm sorry I thought you meant before we actually did the ratings.

DAG CARRIE PARKER: No, just before it becomes public.

CHAIRMAN REED: Any other comments, questions? Okay I want to remind you that when you give a score you're supposed to also give a reason why you gave them a specific score.

SCOTT SISCO: I'm sorry. Supposed to, as in there's a statute for that?

CHAIRMAN REED: I wouldn't know if there's a statute or not but that's what I've been told is that if we give a score on a specific item we should just give a short description of why we thought they got that kind of score. Ms. Parker.

DAG CARRIE PARKER: NAC 333.162 has a requirement of providing a written explanation of scores upon request of the Division of Purchasing. So unless Purchasing has made that request, strictly speaking, a written explanation is not mandatory at this time

CHAIRMAN REED: Any other questions, comments? Seeing none by Committee members Ms. Hagan please start on the scoring. I'm sorry, Mr. O'Shaughnessy would you have anything?

JAKE O'SHAUGHNESSY: Yes, certainly. I just wanted to level-set a little bit to refresh. So, you know from the time this process was initiated it has been roughly nine months. Some of the Committee members may not have been on board when we initiated this process. So as we got in to it there were a few objectives that we wanted to look at in the program to make sure they were optimal for participants. Some of those aspects were: single versus dual provider, a proprietary fund like a General Account, how that worked as an investment option and also how it maybe gave you a discounted administrative fee and also number of on-site days and how that cost factors in to participants.

What the objective of this is is to really drill down for you, the Committee, to determine for example, what is the tax being applied to the ING participants in the smaller plan - the \$80-\$100 million plan. What is the additional charge that they are facing because there is a dual provider construct and there is less access. I look at it to some degree, they are paying significantly more today and as you saw these bids come back, each proposer provided a bid for those individuals which is on the order of three times the expense of the individuals in the larger plan. In my mind there is a lot of focus and I've heard a lot of talk about competition and things like that and I think there is some degree of legitimacy to that. But I think as the Committee sort of weighs these factors, is the benefit of potential competition outweighed by this sort of "tax" being applied on participants in the smaller plan? Is there an ability to consolidate the plan down and provide a lower fee maybe to everyone, not just the people in that smaller plan?

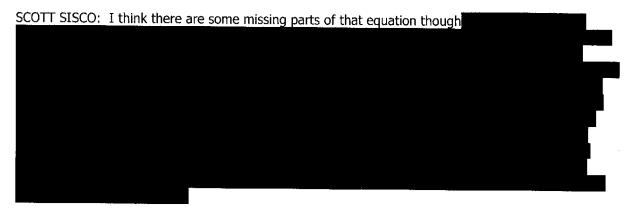
So as a Committee member, should you consolidate the plan to provide an additional benefit to everybody or is the competition still worth the increased cost? On-site days, you'll notice that each bid we asked them no on-site days or full on-site days. Ultimately we may walk away saying "those on-site

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days are very, very expensive," maybe we can do with half of those on-site days and go back and negotiate a lower fee with the recordkeeper.

So by and large there are those three broad categories we are looking at: fund requirement, multiple provider and on-site days in order to help you, the Committee, determine what the actual cost is that each bidder is proposing. So that's the first, to level-set kind of how we are coming at the RFP. Secondarily, as I have gone through this exercise with a lot of committees they kind of tend to try to pick the winner; we are not trying to pick the winner today. Are there some bids here which clearly are not worth continuing to pursue? That's a little bit of a different hat then as we read these and we are thinking "what's the best." We aren't trying necessarily to pick the best today; we are trying to identify those that simply aren't qualified. It allows us to really drill down those bids which we think are worthwhile. That's really all I have.

CHAIRMAN REED: Does anybody want to add to what Mr. O'Shaughnessy has said? Mr. Sisco, please.



CHAIRMAN REED: Anybody else before I give my thoughts. I do want to address this idea of having one or two providers. When I came in to the system we had two providers and they were actually providing the funds that were available to the participants. It seems to me

So we have a whole different environment now that we are moving toward and not only us but, correct me if I'm wrong Mr. O'Shaughnessy you have experience, the whole industry is moving more in that direction. So it doesn't surprise me that there are some people, our participants, have mistaken assumptions that if we do away with ING or do away with Hartford we are doing away with their funds. That's not the case. All we are going to do now is select a record provider and then we decide what funds. We could actually select a record provider and in almost every case we can take those funds that are currently available to our participants and tell our record provider "you're still going to have these funds available for our participants." Now, correct me if I'm wrong, but we could do that if I understand the open architecture concept, with maybe the exception of the guaranteed interest account.

JAKE O'SHAUGHNESSY: That is correct. First of all I concur with your commentary about the industry moving to open architecture. It used to be if you wanted Hartford funds you had to have a Hartford plan but the world has moved much more to where ING will keep Hartford assets and vice versa. The one exception



are the aspects which I feel differentiate a recordkeeper. So I would encourage you to focus on that as we get to the finalists.

CHAIRMAN REED: Anybody else? Mr. Davie.

VICE CHAIRMAN DAVIE: Just a quick comment, I appreciate this clarification and comments as well on the recordkeeper. Again, I was the only one here who went through this process five years ago and back then there was loyalty to a company because they did provide the funds. I think it is important and this is something we need to get across to the participants as well that company loyalty doesn't mean anything in this deferred compensation marketplace anymore because of the open architecture and that we are just looking for a recordkeeper. We aren't looking to establish a long term relationship with a company that is going to do good or bad or whatever. We are looking for a competent recordkeeper that is going to do a good job for us. Last time we talked about competition and then the Legislature changed the law that allowed us to go to one provider and so we set it out again. At that time we didn't see much difference. There was some but because things were tied to the providers and people didn't want to just have a choice of Hartford, they wanted to have another choice, that's why the Committee back then went with the choice argument.

So just more added to our comments I appreciate it.

CHAIRMAN REED: Anymore comments or questions? I don't think there are any more comments or questions Ms. Hagan if you will proceed I'd appreciate it. I should ask, is there anything else from Mr. O'Shaughnessy?

JAKE O'SHAUGHNESSY: The only thing, I will play whatever role is most beneficial to the Committee. Generally I reviewed these but this is the Com process and I don't want to come across that I'm quiet or not wanting to offer advice. Please pull out of me what you need from me. I will go to whatever level the Committee wants me to go but I'm here to service you and I hope the Committee can come to a decision. So let me know what I can do to best facilitate that.

CHAIRMAN REED: Also I want to make sure Ms. Parker has a chance to offer any thoughts. Did you have anything else or should we just proceed.

DAG CARRIE PARKER: I think we are okay. I wonder if we could check and make sure it's picking up everyone's voice?

CHAIRMAN REED: It is now 2:23 pm. I think we have all finished the preliminaries for the scoring. Ms. Hagan if you will now begin leading us through the scoring process I'd appreciate it.

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TARA HAGAN: Sure and it's really however it pleases the Committee. I was thinking it may make more sense to take each category and so you would all go through by each firm and each category. Rather than doing each firm in its total, but that's completely up to the Committee.

CHAIRMAN REED: Actually you are leading us quite well so I'll leave that up to you.

TARA HAGAN: Well if we want to go ahead and start then

How would you like to proceed?

CHAIRMAN REED: Just like you said we will start with a category and go down through all the companies then go back to the next category.

TARA HAGAN: I just have the companies listed in alphabetic order.

SCOTT SISCO: Can I ask for clarification? You said the total will be 90 that would be if you gave everybody the full amount right?

TARA HAGAN: That's right. I just have Rex, if you would like to start with Great West.

CHAIRMAN REED: I'll be flipping back and forth.

VICE CHAIR DAVIE: Do we all have the same order in our booklets? Can we start with VALIC?

CHAIRMAN REED

SCOTT SISCO: I'm sorry, you gave 73 but there are only 20 points available for that.

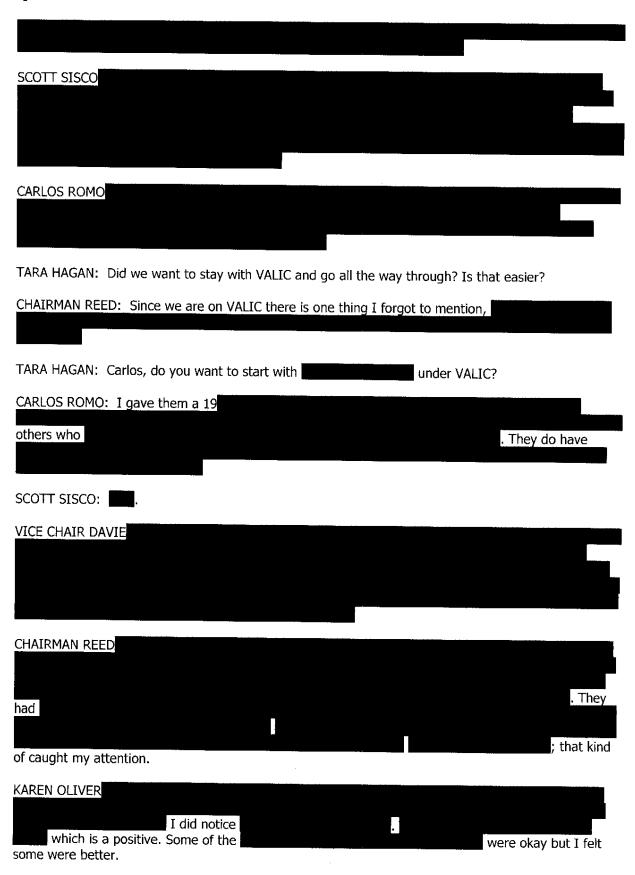
CHAIRMAN REED: I thought you would base it on 100 percent and then turn around and use the weighting factor.

SCOTT SISCO: I assumed that all six questions added up to 100 percent. Therefore each question was a maximum.

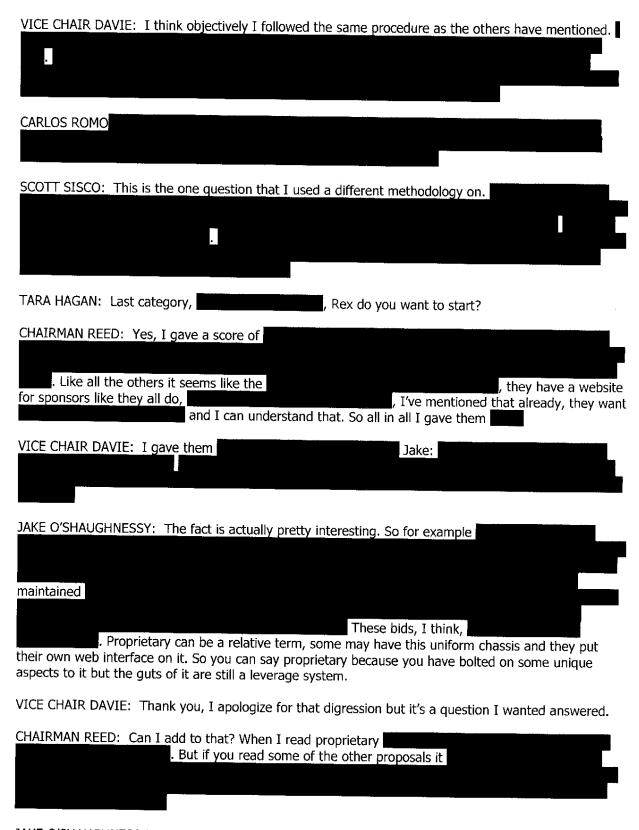
CHAIRMAN REED

KAREN OLIVER

VICE CHAIR DAVIE



CHAIRMAN REED	
offer a	. They could
VICE CHAIR DAVIE: I was pretty much the same	
SCOTT SISCO: .	-
CARLOS ROMO: I gave them . I did agree that the	
KAREN OLIVER: I VALIC. I did notice the	
TARA HAGAN: The only thing I would say is	
SCOTT SISCO: Again, using my methodology	
TARA HAGAN: When you say qualifying can I just ask what you mean?	?
SCOTT SISCO	
TARA HAGAN: I'm sorry I can't hear you can you move your paper down?	
SCOTT SISCO:	
CHAIRMAN REED: Let me going to interrupt here and say maybe we should use the mi	icronhones
especially Ms. Oliver you speak very softly. Please proceed Ms. Hagan.	or opnones
TARA HAGAN: Karen do you want to go ahead and start with the	
KAREN OLIVER	
•	
CHAIRMAN REED: What I did is the same for every plan is the way I looked at	



JAKE O'SHAUGHNESSY: No.

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CHAIRMAN REED: Okay, VICE CHAIR DAVIE: That's about all I had. I gave them credit for SCOTT SISCO: Question 5 right? CARLOS ROMO: Number 5, I gave them and the KAREN OLIVER: I've got an on that one. I did notice a TARA HAGAN: I just wanted to confirm the totals that I have for everybody at this juncture and then we can move on to the next firm. SCOTT SISCO: What is that total as long as we are there now? Do you average them? Before we walk out of this room we are going to have total for all of them? TARA HAGAN: I haven't averaged them yet. VICE CHAIR DAVIE: By the way I want to thank you and compliment you on putting this booklet together. It is so much easier than last time and so organized, we really appreciate it. CARLOS ROMO: The one thing I saw was it was the same thing for everybody. It helps us to be as objective as possible so we weren't subjectively looking at things. TARA HAGAN: Thank you. So next in your book I think is . Rex do you want to start us out with CHAIRMAN REED: the state defined contribution plans. They have VICE CHAIR DAVIE: I the companies out there so that is an important factor for me. KAREN OLIVER SCOTT SISCO:

CARLOS ROMO	
TARA HAGAN: Let's stay in order, it keeps me org	ganized. Rex?
CHAIRMAN REED	
TARA HAGAN: 16.	
CHAIRMAN REED: Ok I was right. I gave them	
because at the same time they said	which I found was interesting , so I'm wondering how they are and
but	Illy. They will provide  I think they are the only ones to t's pretty high.  so I thought that was that's acceptable to my way of thinking. There is a
VICE CHAIR DAVIE: I gave them . I n	nade a note of
KAREN OLIVER: I	They
CARLOS ROMO: . I'm not s	would suffice and at this but they would the
SCOTT SISCO:	
TARA HAGAN: Do you maybe want to discuss that	a little bit
SCOTT SISCO: Actually no. If we all use a method we could have somebody on the board here that g consistent through all of their bids, no.	lology and we are consistent with that methodology, ives 1, 2, 3, 4, and 5 but as long as they are
TARA HAGAN: Okay. Rex,	
CHAIRMAN REED: I gave them an . One thing I key on	is said it
. I didn't know how to really work this i	in about

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They can		, I like that. They offer	
	. They will		
One thing maybe Mr. O'S	Shaughnessy can help	me with, what is a unitized fun	ıd?

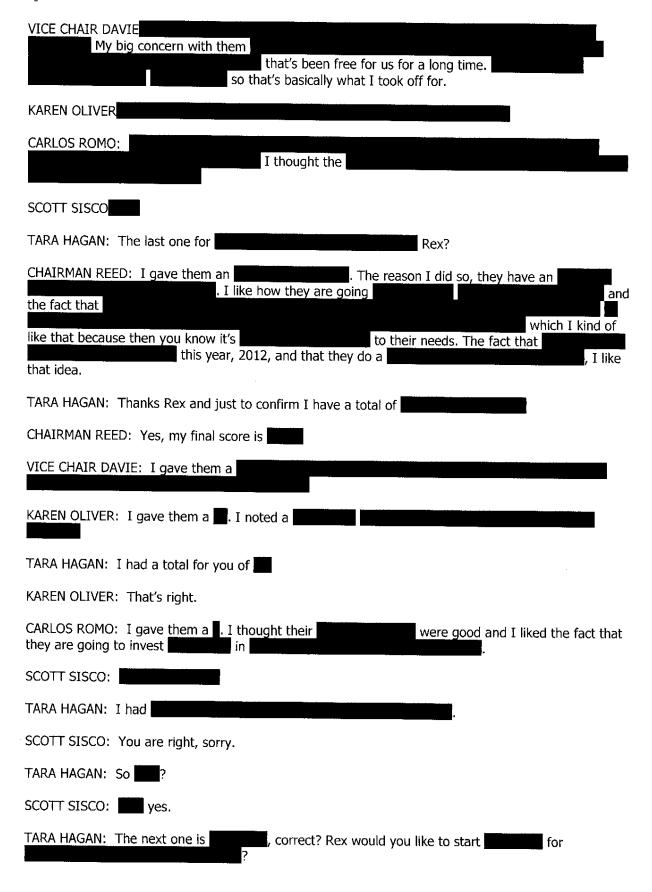
JAKE O'SHAUGHNESSY: A unitized fund, this is involving a trend in the large plan market where instead of offering Mutual Fund Company X large-cap growth fund, a plan sponsor could go out and find three large-cap domestic funds, maybe a value, a blend, and a growth, put those together and create what we would call the "Nevada Deferred Compensation large-cap fund." So those three are put together and participants can buy in or out daily to that fund, but you need somebody at the recordkeeper level to look at the three funds and blend them together to strike the NAV that your participants could buy in or out of. Does that make sense?

CHAIRMAN REED: NAV?

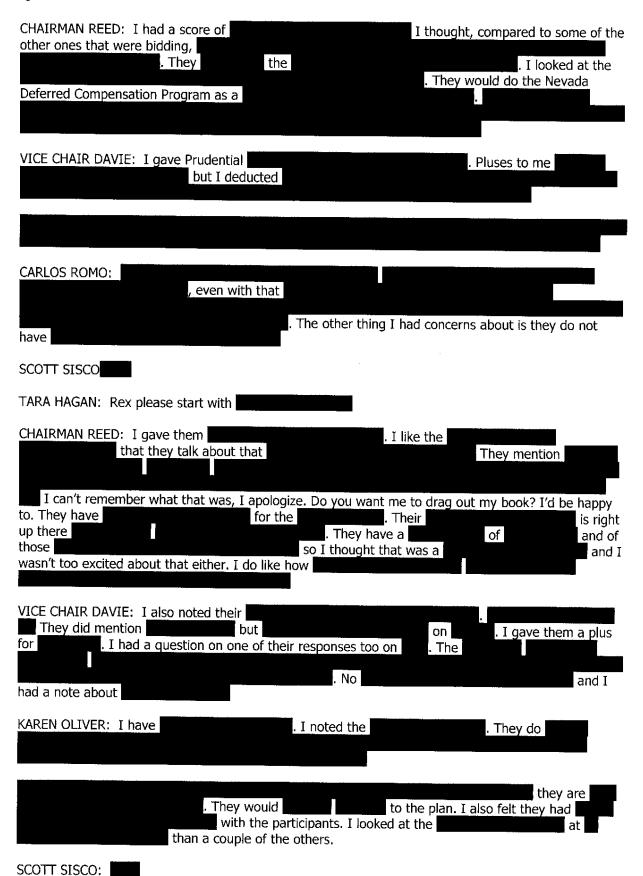
JAKE O'SHAUGHNESSY: Net asset value, a blended up option. Let's say you have one that's 50, one that's 40 and one that's 10 at the end of the day. If you want to buy a dollar in that, how does that get allocated amongst the three underlying funds? So in unitizing they would do that function for you at no cost.

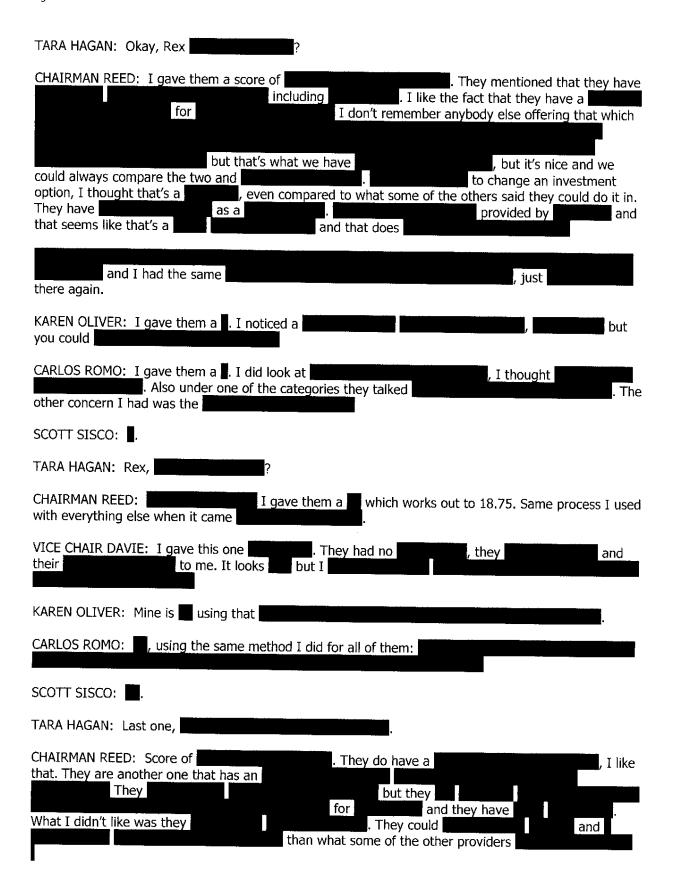
CHAIRMAN REED: I did mention my interest in a quarterly change in the interest rate but I should have followed forward with that concept. I expect in the future it would be to the benefit of the provider in four or five years if they can change the interest rate cause I expect it to start going up before too long.

VICE CHAIR DAVIE	and I liked the stands for now.
JAKE O'SHAUGHNESSY: It was probably the number on how they can't just cherry pick the best one, they have return. So then they market the than to cherry pick their best and blend them all together.	so let me put a ave to a and I think that's right rather
KAREN OLIVER	
CARLOS ROMO:	
SCOTT SISCO: Question 3 right?	
TARA HAGAN:	
SCOTT SISCO:	
TARA HAGAN: Rex,	
CHAIRMAN REED:	

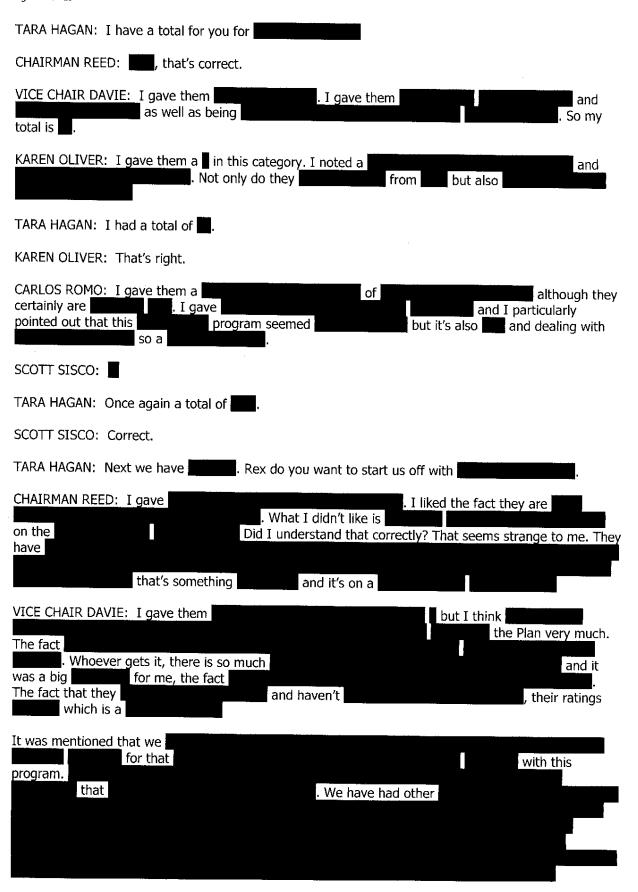


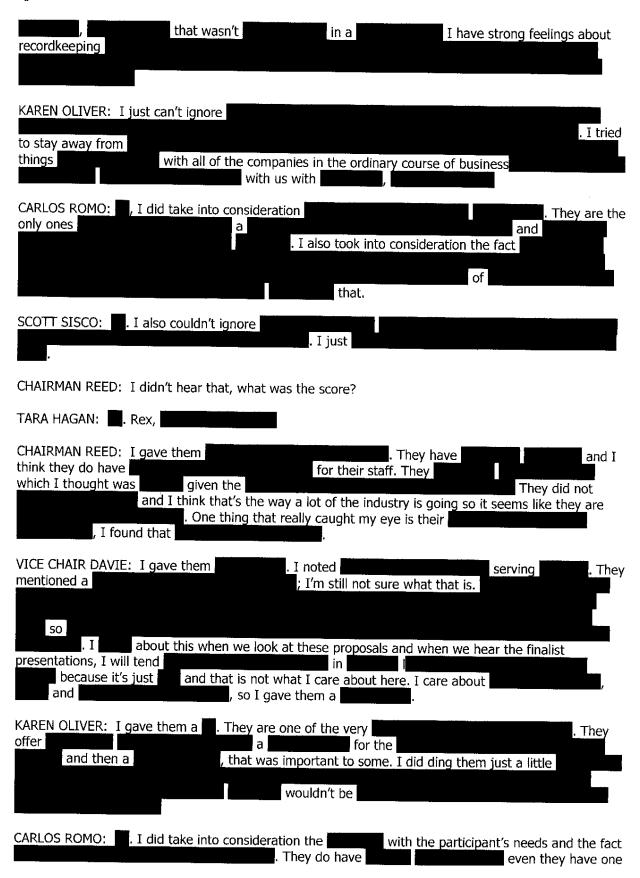
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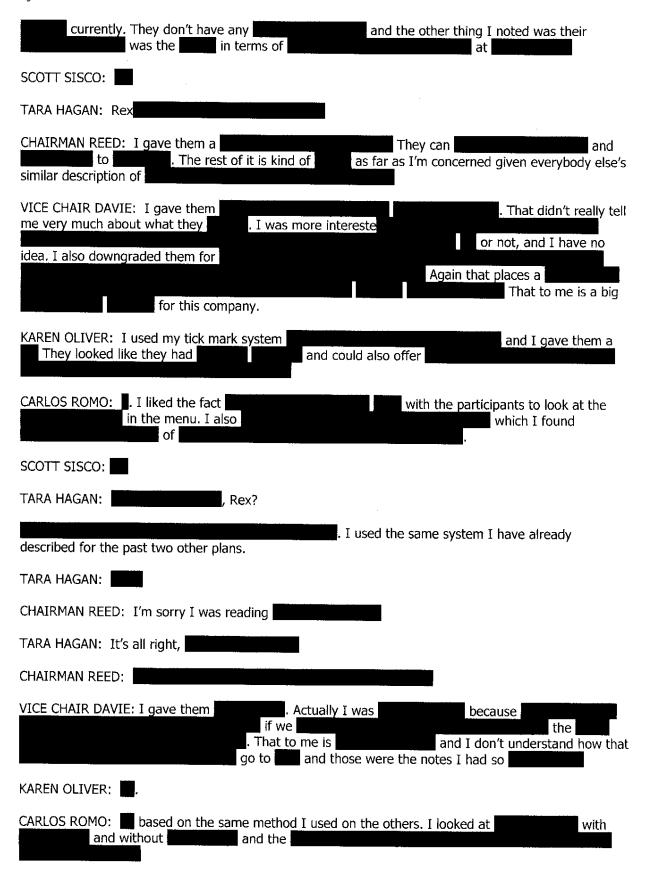


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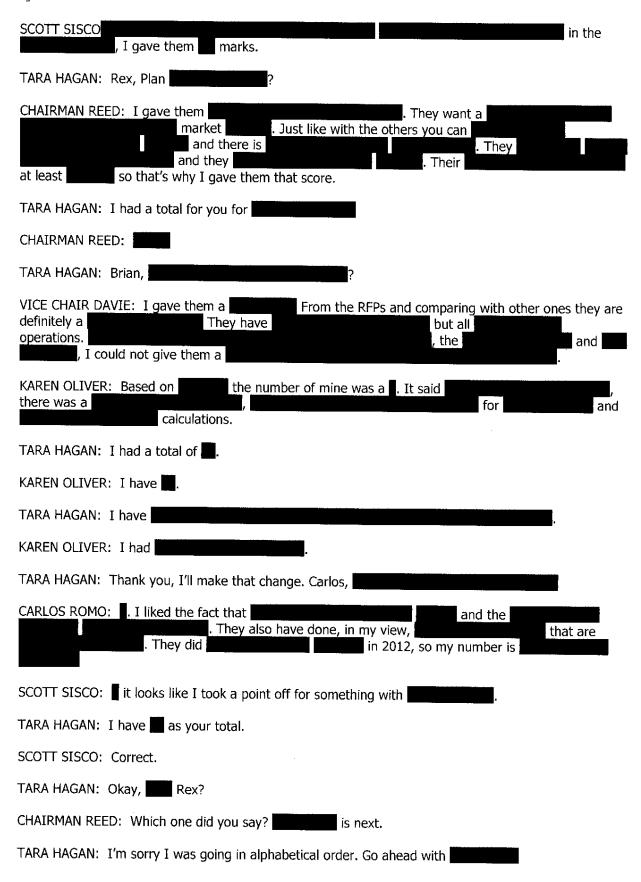




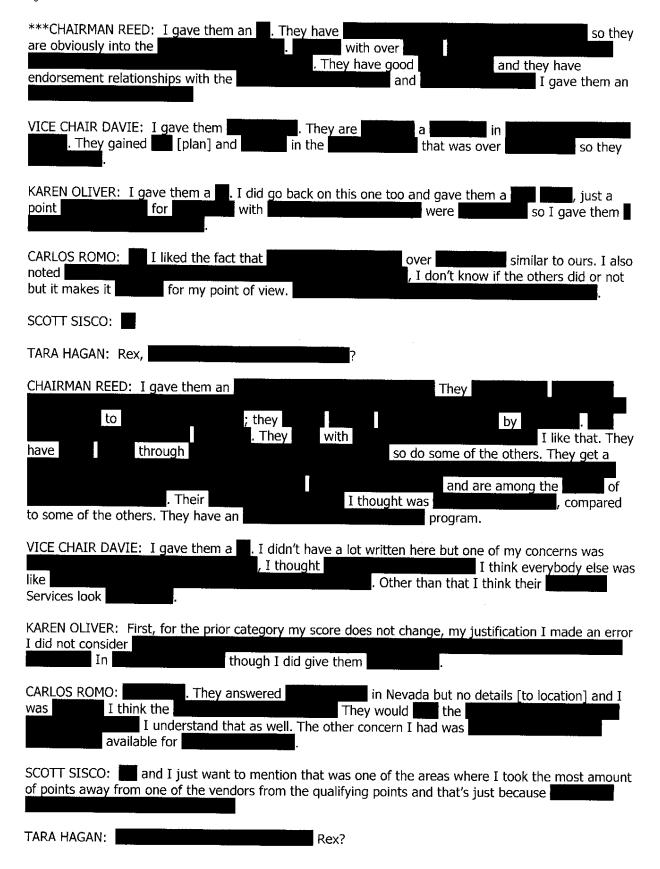
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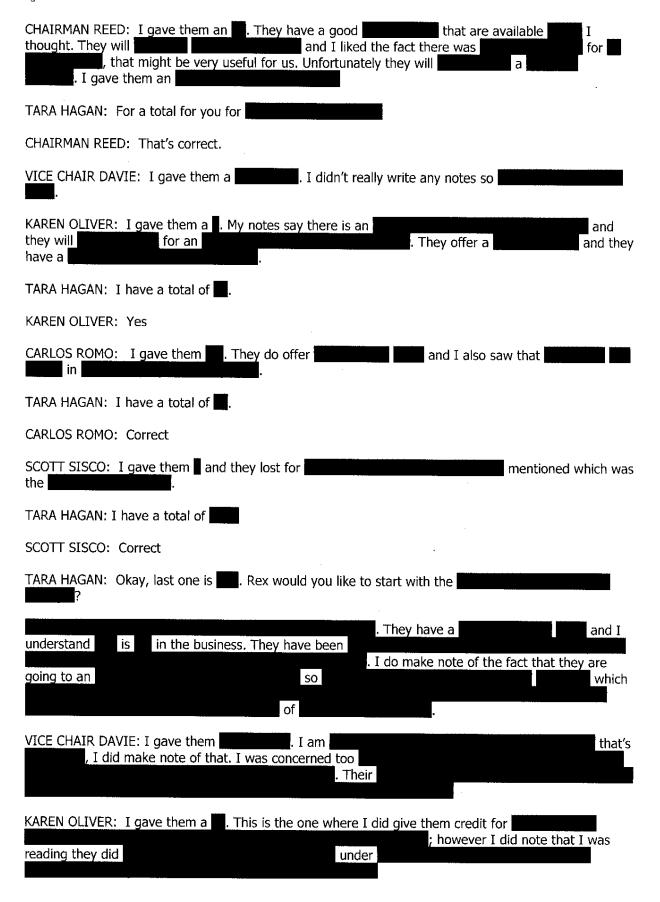
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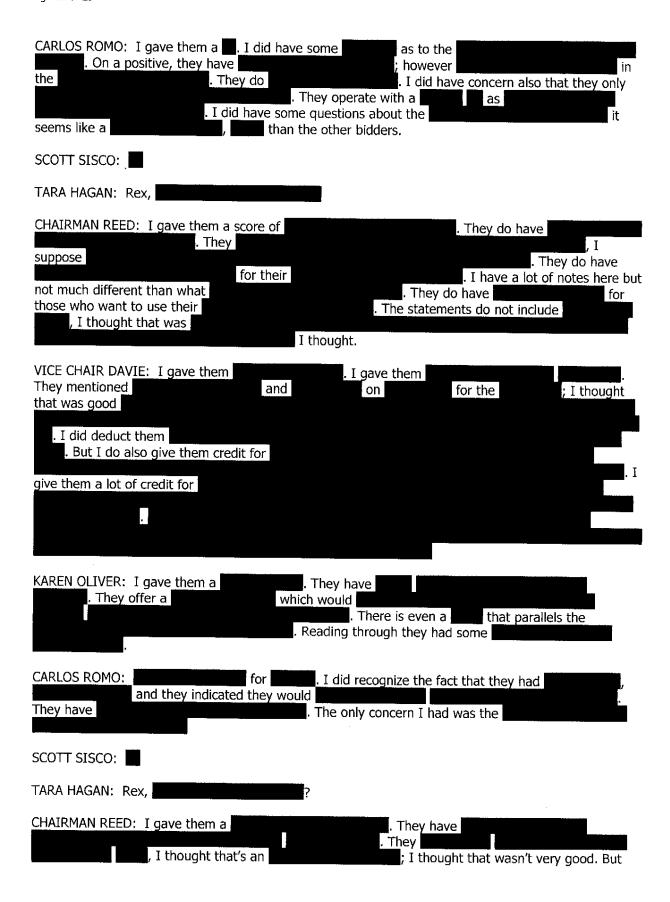


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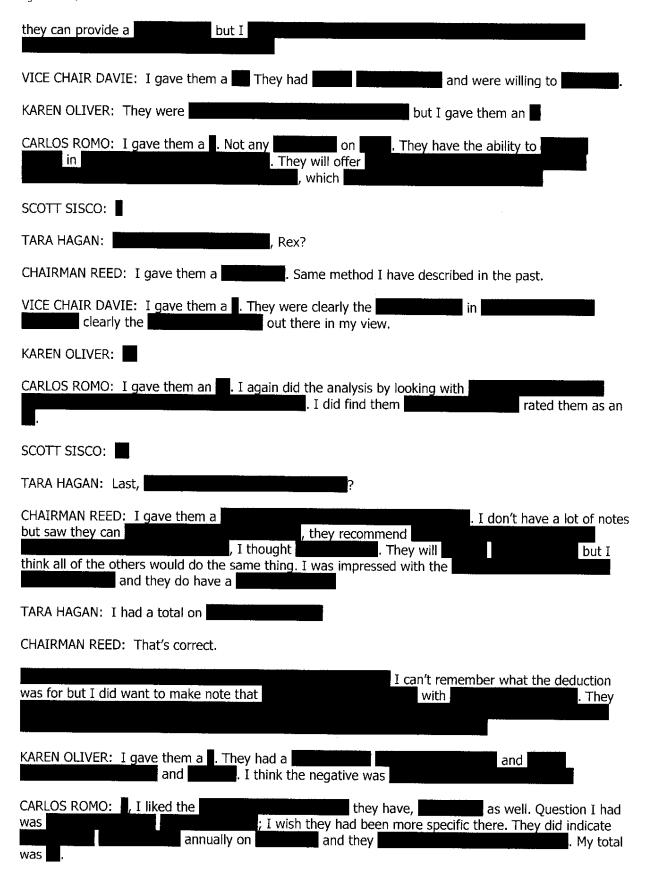
CHAIRMAN REED: I gave them an I. They seemed to although I did notice they I don't know exactly what they meant by that so I was going to ask Mr. O'Shaughnessy if he can fill me
in or if he knows what they are referring to when they said that.  JAKE O'SHAUGHNESSY: I can't exactly speak to
CHAIRMAN REED: They know what they meant by a that's where I tripped up in my understanding.
JAKE O'SHAUGHNESSY
So perhaps what they were saying there is they to have a than a
CHAIRMAN REED: Thank you
VICE CHAIR DAVIE: I gave them a I deducted because I saw in and I didn't see that in any of the other bids.
KAREN OLIVER: I gave them a and I had that same line of questioning that Rex had so thanks for answering. They had which was a little better and a list of list of list.
CARLOS ROMO: I gave them an a. I guess a concern I had is they tell us a land of 2012 but
SCOTT SISCO:
TARA HAGAN: Rex,
CHAIRMAN REED: For I gave them an points. I used the same system I described previously.
VICE CHAIR DAVIE: I gave them . I thought they had the deduct because they had the that I didn't care for.
KAREN OLIVER: I have based on my same scenario
SCOTT SISCO:
TARA HAGAN: Last one for

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TARA HAGAN: I'm sorry, Karen I had . I don't think I verified that.

KAREN OLIVER: Yes

SCOTT SISCO:

TARA HAGAN: I have a total of

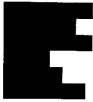
SCOTT SISCO: Correct

TARA HAGAN: I will read the averages. I do obviously have the averages for each company, I'll just go

alphabetical. Do you want me to verify your scores again or is everybody comfortable?



CHAIRMAN REED: Okay Ms. Hagan I have the scores lined up this way:



TARA HAGAN: I have

CHAIRMAN REED: I had that is what I thought you said.

TARA HAGAN: I apologize,

CHAIRMAN REED: thank you. Okay I'm

going to repeat those just so we know we all have the same scores.



TARA HAGAN: That's correct.

CHAIRMAN REED: Thank you. We have now gone through the scoring process. Ms. Hagan if I understand we can have some time for discussion but other than that, and I have to ask Ms. Parker too, there is really not a whole lot we can do here. The next two steps would be involving how many we want for finalists, and who we define as the finalists. Correct?

TARA HAGAN: Correct the number of finalists.

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CHAIRMAN REED: I will open it up now for discussion although I can't have any motions. Is there any discussion that people would like to go through? Ms. Parker I would like to start with you if there is anything you want to advise us of before we begin our discussions.

DAG CARRIE PARKER: The only advice I would give is if your discussion is general then I recommend it go in the open but if you want to talk details of the proposals I would keep it here.

JAKE O'SHAUGHNESSY: One administrative matter, at times when finalists are selected, our firm will create an invitation letter to the finalists and say you have been selected and invited to the finalist presentation and as you prepare for the finalist presentation these are the areas we would like you to focus on. A lot of times it will come with a revised bid to the finalist presentation so if that's of interest I'd be more than happy to work with the group to create that communication in areas of focus and a request to modify the bid if they would like to. I don't know procedurally if that's viable or if the Committee is even interested in pursuing that.

CHAIRMAN REED: Any comments or discussion on that point? Mr. Davie.

VICE CHAIR DAVIE: That sounds reasonable to me. I don't want the finalist presentations to just regurgitate their bids that would be a waste of time. I would be interested in providing some focus and hopefully they will provide new information or expand on areas we had questions in.

CARLOS ROMO: I would agree with you Brian on that same thing. I think sometimes it's so close when it comes to selecting a provider or providers we need to find out what is the difference between the numbers we select.

CHAIRMAN REED: Any other comments or questions? Mr. O'Shaughnessy.

JAKE O'SHAUGHNESSY: Procedurally, Carrie, would that be within the guidelines, does that sound viable?

DAG CARRIE PARKER: Yes that sounds viable. I'm not sure if you were thinking that the Committee as a whole would vote on what they want the letter to say or if each Committee member would send you their comments and you could incorporate them into the letter?

JAKE O'SHAUGHNESSY: The former we could absolutely do. So if there were points any of you want integrated that you feel valuable please feel free to send them to me, but I was envisioning drafting a letter and sending that through and having it blessed by you and the Chair or the entire group.

DAG CARRIE PARKER: Yes that sounds fine with me if the Committee agrees.

CHAIRMAN REED: Can it go to the entire group?

DAG CARRIE PARKER: Like if you were to send a draft ahead of time? So it would just be a yes or no? Or giving suggestions?

JAKE O'SHAUGHNESSY: I would envision drafting a letter and sending it off for comment to the Committee and setting a day, please provide your feedback by such and such a date, and then integrating that feedback, sending out a final draft we would have to set a deadline in which we would have to send it back out. I would be reticent to draft a communication speaking for the Committee and sending that out. I feel it's very important that the Committee be comfortable with what's going out because it is a reflection of the Committee. The other alternative is a "you're invited, please show up" letter, but it's whatever pleases the Committee.

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CARLOS ROMO: My question would be if we individually respond to you it's not the Committee that's responding but the individuals.

CHAIRMAN REED: I refer to Ms. Parker.

DAG CARRIE PARKER: I like that idea, the reason I hesitated before is if Jake were to put it together a "track changes" then we are creating a problem, but if you are just giving Jake your comments individually and he puts them in a letter I think that's okay.

SCOTT SISCO: So I just want to verify then what we are basically doing is we are entrusting him to make the final decision on the letter.

TARA HAGAN: Jake might comment as someone who has done this before. You might have some conflicting comments so I would recommend you might want to do a quick telephonic call, I think that would be the best way to do it so members have full input and you know what you're looking for in that letter. I think that's the best way to do it.

DAG CARRIE PARKER: That would be the safest way and would require meeting notice and we can have telephonic meetings but we have to have a place the public can go to show up and call in if they want to.

CHAIRMAN REED: That's a great idea but the question is who does it? We have a staff of one part-time individual.

TARA HAGAN: I would help Micah do that, I'm available. The Treasurer's Office knows I'm going to help Micah get through some of this administrative stuff.

CARLOS ROMO: Jake probably has a former letter that they would send to everyone but gives us individual member's opportunity to add something to it so we could get it out to the finalists.

CHAIRMAN REED: I see several people with fingers on their buttons.

VICE CHAIR DAVIE: I just wanted to comment that more than the concerns about the open meeting law; I'm really concerned about having another meeting. In a way what I would like to see, to save all of us some time and effort, is if you could just send out based on your experience and knowledge what you think would be appropriate, get comments back from each of us and if you see some conflict or some things that you wouldn't know how to resolve without having us get together and discuss it then we could have a meeting. Otherwise this is pretty much a pro forma letter; this isn't rocket science or anything. The recordkeepers get this all the time and they know how to respond, we aren't trying to set anybody up, just trying to focus presentations. But we are still going to be open to question when we have the finalist presentations so we can run astray and look at different things but it gives the recordkeepers something to focus on in their presentation. I would like to see us do that rather than automatically set up another meeting if there is no conflict then let's use the pro forma letter.

JAKE O'SHAUGHNESSY: What we will ask for is: people that are actually going to work on your account are here, senior management is here, we want to see a display of web technology during their presentation. It's fairly straightforward so we will send it around and make sure everyone is comfortable. If there is significant change in comment I may come back and say we need to think about this but if it is fairly benign or no commentary then we will send the pro forma letter.

CHAIRMAN REED: It's getting kind of late in the day and I would like to say if anybody really objects to that let's hear from them now, if not then that's fine with me.

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CARLOS ROMO: The letter will go under the Chairman's signature correct, or will it go under Jake's?

CHAIRMAN REED: My understanding is it will go under Mr. O'Shaughnessy.

CARLOS ROMO: Are you comfortable with that, Jake?

JAKE O'SHAUGHNESSY: Yes

CHAIRMAN REED: Everybody is comfortable with that. My thought is I go out there and ask Ms. Hagan to deliver the scores and rankings. Then I will open it up to how many providers we want in the final presentations. I would obviously want a motion at the beginning and then some discussion. Does that sound like a way to proceed? Am I missing anything?

SCOTT SISCO: Can you repeat that?

CHAIRMAN REED: We would go in there, resume the open meeting I would ask Ms. Hagan to provide the scores and rankings; she can put those on the screen. Let the people in the audience see it and I would obviously ask Ms. Hagan to verbally present the findings so that those listening can hear them. Then I would open it up to the final discussion of how many people we want for the presentations as a number for me, the top four. Once that motion is done, then make a motion to clearly identify who they are whether it's Nationwide, Hartford etc. So I'm looking really for two motions. Part of the problem we have is not everybody is there watching so say it again with a motion, these are the people. Is that okay? Mr. O'Shaughnessy?

JAKE O'SHAUGHNESSY: That sounds great but the one aspect that's coming to my mind is, let's say that we invite finalists to come back and our next meeting I assume would be the intent to award, so we would provide a winner at that point. At what point are we going to debate single provider versus dual provider? For example when the presenters come back and give finalist presentations then that day we are going to have to select a winner.

SCOTT SISCO: Are we selecting a winner that day or are we authorizing you to negotiate into agreements? I think that would also be the time to then decide if you are going to negotiate one, two, or more.

CHAIRMAN REED: Here's what you would do, you would select the winner with a runner up. The contingency would be this, someone would negotiate with the winner with the understanding if there could not be a common agreement on the contract then we have the ability to go to the runner up and that puts the number one party under a little bit of a hammer, so to speak.

SCOTT SISCO: I'm really uncomfortable this agreement should have been record. I disagree with you it's like a winner with a runner up your making the decision right here right now that we are going with one.

TARA HAGAN: That is what it states in the bid that you would have the finalist presentation and award the contract on the same day.

SCOTT SISCO: I agree with all that but the way you just worded it I took it to say you are going to select a winner and then you are going to select a runner up that says just one. What Mr. O'Shaughnessy's question was when are you all, the Committee, going to make a decision on whether you are going with one service provider, two service providers, three service providers, or six.

CHAIRMAN REED: That's for the Committee to decide and we can't do it now.

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SCOTT SISCO: Yes, but that's what he was asking.

DAG CARRIE PARKER: I think Jake was asking timing and the RFP timeline that was sent out did say at that next meeting. So you could put it in the agenda before selection of finalists you could put in there, single provider or multiple or whatever you wanted to. Are you concerned that you couldn't decide how many providers the same day you are choosing a winner?

JAKE O'SHAUGHNESSY: Here's my thinking is that as they are in the finalist presentation I would like to use the other pool as a negotiating tactic. So when they are in there and you say "you bid this for the larger pool of assets and you offered to do this for the entire plan, are you really going to do that entire bucket?" You have a deal where you have one pool of very attractive assets and one pool with not very attractive assets. So you see as the Hartford bid people are going to strongly keep... If I'm a provider in there I want you to split the plan and I want the profitable fund. The objective of the Committee is to equalize that payment to the smaller pool. Making a determination to go to single provider before you hear those finalist presentations is going to put you in a stronger negotiating point.

CHAIRMAN REED: I think we should keep that comment in mind as we go into the other room. I guess very quickly do we want to wrestle with that question today?

VICE CHAIR DAVIE: I was going to say, I don't think it's on the agenda, I don't notice it as an action item so I don't know how we could make that decision.

TARA HAGAN: Even though it's a part of the RFP process?

CHAIRMAN REED: Ms. Parker has a comment.

DAG CARRIE PARKER: I agree with Mr. Davie. I think as its agendized, discussion regarding service provider RFP evaluation and scoring to determine and select finalist who will make presentations at the July 18 meeting is problematic to decide how many providers through that item.

CHAIRMAN REED: I guess that answered that. Anybody want to disagree with our deputy attorney general?

VICE CHAIR DAVIE: I just wanted to add, this is a major decision that people have come and testified before us and I think we have an obligation to let them have another say on that and I think we also have an obligation to inform the public and whoever shows up what it's going to cost to be in the second plan in this process. We need to make that clear that if we stay with two plans there's going to be a significant tax and cost on those participants who choose the smaller plan. That's going to be a big consideration when you charge somebody so much more for theoretically the same kind of services that it's going to be a big decision, I think.

CARLOS ROMO: I guess the way I'm understanding this process is on the agenda item for July 18 we will decide first whether it's single or dual providers or more and then proceed from there. In other words we would have to take a vote on that basis first before awarding the final.

CHAIRMAN REED: We would have to make the decision of how many providers we will have before we make the award. But then we have to get back to the question about does it put us in a stronger bargaining position if we have runners up sitting in the background to give the first place winner a little incentive to be a little bit more flexible.

VICE CHAIR DAVIE: I guess the other point is it will give us a chance to see how fast they think on their feet. Depending on how the other presentations turn out it could be interesting.

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CHAIRMAN REED: Mr. O'Shaughnessy I assume you're the one who will be doing what I'm negotiating, correct?

JAKE O'SHAUGHNESSY: I would happy to if that were the Committee's pleasure.

CHAIRMAN REED: Would it put you in a stronger position if there was a runner up in the background that gives incentive to the first place winner to be more amenable to idea.

JAKE O'SHAUGNESSY: Yes it would.

CHAIRMAN REED: Thank you. Do we need to discuss anything else in this room at this time with the closed meeting? I don't see any activity or any fingers on microphone buttons so I guess we are going to close it at this time. The time is now 4:15 pm and we will go into the other room and resume our meeting.