

Brian Sandoval
Governor



COMMITTEE
Dr. Rex Reed, Chair
NDOC
Brian L. Davie, Vice Chair
LCB
Karen Oliver
GCB
Dr. Carlos Romo
RETIRED
Scott K. Sisco
NDOT

Carrie L. Parker
Deputy Attorney General

Nevada Public Employees' Deferred Compensation Program

DEFERRED COMPENSATION COMMITTEE MEETING MINUTES FOR

Tuesday July 3, 2012, 8:30 AM

The special meeting of the Nevada Deferred Compensation Committee was held on Tuesday, July 3, 2012, at 8:30 a.m. in Room 2135 of the Legislature Building, 401 S. Carson St., Carson City, NV. A copy of this set of "meeting minutes," including the agenda, the audio recording and other substantive exhibits, is available on the Nevada Deferred Compensation (NDC) website at: http://defcomp.state.nv.us/NDC_MinutesMeetings.htm. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (e-mail: publications@lcb.state.nv.us; telephone: 775.684.6835).

BOARD, STAFF and ATTORNEY PRESENT:

Dr. Rex Reed, Chair
Brian Davie, Vice Chair
Karen Oliver, Member
Dr. Carlos Romo, Retired
Scott Sisco, Member
Micah Salerno, Secretary
Carrie Parker, Deputy Attorney General

OTHERS PRESENT:

Bill Abramowitz
Jim Barnes, Retired
Bishop Bastien, ING
Marty Bibb, RPEN
Kent Ervin, UNR
Michael Hackett, Hartford
Fred Hanners
Jake Honea, Hartford
Alan Kalt, Churchill County (by phone)
Mary Keating
Julie Miramontes, Nationwide
Jeff Morrow, Hartford (by phone)
Jake O'Shaughnessy, Arnerich Massena (by phone)
Gary Petrytus, VALIC
Steve Platt, ING
Robert Trenerry, Hartford
Todd Theroux, Hartford (by phone)
Tom Verducci, Great West

I. Committee

A. Call to Order/Roll Call ([Audio 1: 00:00:22](#))

The meeting of the Deferred Compensation Committee was called to order by Chair Rex Reed at 8:30am, July 3, 2012, in Room 2135 of the Legislature Building, 401 S. Carson St., Carson City, NV. Members Present: Chair Rex Reed, Vice Chair Brian Davie, Ms. Karen Oliver, Dr. Carlos Romo, Mr. Scott Sisco, and Deputy Attorney General (DAG) Carrie Parker. Chairman acknowledged that all committee members are present and recognized those who were calling in to the meeting.

Chair Reed reviewed emails he had received from participants and asked Committee members to let him know of any emails they have received. Chair received emails from the following: Alan Kalt, Carla Watson, M. Guinan, Lydia Peronova, John Datian, and Steve Englert. In summary, all emails basically have asked us to retain Hartford. One thing that the Chair noticed in the emails is that the senders did not specify if they want to retain Hartford as an investment option or as record keeper. As the meeting today is to discuss the issue of record keeper, the Chair asked that those speaking in the meeting, listening by internet or attending via phone; to indicate if they are talking about Hartford being an investment option or the record keeper. Chairman asked if any other committee members received any emails. ([Audio 1: 00:02:01](#))

Dr. Carlos Romo had an email from Darrell Craig as well as speaking to City of Winnemucca, City of Sparks, Reno Housing Authority, Truckee Meadows Community College, Reno Sparks Convention and Visitors Authority, Virgin Valley and City of Elko

Vice Chair Davie received comments and emails from participants and the message he had been getting was encouraging him to continue to fight for professional management and to make the best decisions in the best interest of the participants not in the best interest of an individual or private company.

Ms. Karen Oliver received 3-4 emails and several comments where participants are concerned with the General Account and the longevity they have had with Hartford and asked the Committee to consider that when making their decision.

B. Public Comment* ([Audio 1: 00:09:47](#))

Dr. Kent Ervin, active participant from UNR, spoke in support of the high quality professional management the program has had over the past several years and provided information to the Committee regarding \$250,000 in rebates that participants had received because of that management. Mr. Ervin also encouraged the Committee to look at the whole picture when evaluating the budget and not just the cost of staff as that is only one piece of the budget. Having professional management brings expertise to the Plan and is a value to the participants.

C. Department of Personnel assessment of Executive Officer position and possible action regarding replacement, including job announcement and description ([Audio 1: 00:14:44](#))

- Discussion and possible action may address
 - Full-time vs. part-time nature of the position.
 - Details of job description related to the needs of NDC and any redundancy in relation to services provided by Arnerich Massena and/or the providers

Mr. Peter Long, Deputy Division Administrator with Division of Human Resources Management stated they were asked to review the duties of the Executive Officer position and make an observation of where they might fall out. They received two sets of diverse duties that they evaluated separately.

Ms. Mary Day, Classification Supervisor in Division of Human Resources Management, looked at the two sets of duties that may be assigned to the Executive Officer. They

looked at information and emails provided and also met with the previous incumbent, Tara Hagan. Based on all this information they provided a written analysis. ([Exhibit I-C-1](#))

Vice Chair Davie asked for clarification on some wording in the document provided and questioned what information they used to evaluate the duties.

Mr. Long noted they met with Chair Reed who explained how the Committee had put together a job description and he explained that in classified positions they are not allowed to compare with outside entities (out of Nevada) so they would not be able to compare job duties/descriptions with other similar plans outside the state.

Mr. Sisco discussed some of the wording in the job description with Mr. Long.

Dr. Romo requested some information on the grade level, classification and pay scale which Mr. Long provided.

Vice Chair Davie commented on the job description from Human Resources noting it was what he expected based on the limited information they were given. Mr. Davie also wanted to clarify, for the record, based on previous research there is a current job description that has been approved by the Legislature which used information from in state and out of state agencies to accurately reflect the qualifications of this position. In addition, Mr. Davie was concerned that the information on this position that was prepared for HR was done by someone who has only been on the committee for 5 months. He stated that there is false information in this handout regarding the position originally being created with a major goal to consolidate various county programs to enlarge the Plan. Another error in this email that is misleading and is a distortion of what legislative staff does, says that the recommendation was for the position to be at the Management Analyst level. There were many recommendations not just one for a specific classification; there was also a recommendation that the position be a professional position. There are misstatements of facts and a lack of information and knowledge in providing estimates and in making statements concerning this position. ([Exhibit I-C-2](#))

Mr. Sisco noted that he contacted Mary Keating about her recollection of originally creating the Executive Officer position.

Ms. Mary Keating provided testimony stating she was at the meeting when the Executive Officer position was created. Prior to that meeting it was recommended that this Plan should consolidate with other entities to enlarge the program to allow the best value to participants. Ms. Keating and Mr. Steve Watson (former Committee member) discussed how a staff person would be able to assist the Committee in doing that without duplicating tasks already performed by the providers and investment consultant. Ms. Keating noted that in addition to hiring the Executive Officer, Laura Wallace was hired to assist Tara in contacting outside agencies to encourage them to join the Plan. The history of this Plan was to grow it and make it similar to PERS and give many players access to the Plan, but this has not been integrated as was supposed to happen.

Ms. Keating also commented on the inter-local agreements that are part of the Plan but on a separate basis. She believes that in the best interest of the State of Nevada the Plan needs to be grown as an integrated plan and stated if you want this Plan to grow you need to make it attractive to other agencies to join. Ms. Keating remarked that according to the RFP Ms. Hagan said that is not part of her job.

Dr. Romo referred to minutes from a Budget meeting and asked if the Plan has been growing and also questioned if Ms. Keating felt everything could be accomplished with a Management Analyst position for staff. He doesn't want to short change the Committee or participants in the professional information, analysis and work that staff provides.

Ms. Keating believed that any growth in the Plan has taken place through the Providers and not with Ms. Hagan's help.

Chair Reed stated that Mr. Long and Ms. Day needed to leave for another meeting so asked Committee members for final questions.

Chair Reed asked Mr. Long and Ms. Day if anywhere in state government there is a Management Analyst that works in the area of high finance for this country and the world, with a responsibility to participants, who have the right to sue if anything goes wrong, and who has financial knowledge including regulations from Department of Labor, federal government and state levels.

Mr. Long noted that he does not know the duties of all Management Analysts but he is not aware of any positions.

Chair Reed also asked if they knew of a Management Analyst position that had to protect people from abrogating their fiduciary responsibilities.

Mr. Long commented they didn't specifically know of a Management Analyst position responsible for that.

Chair Reed thanked Mr. Long and Ms. Day for the work they did for this Committee.

Vice Chair Davie stated that he didn't recall the contract with Laura Wallace was solely intended to consolidate local governments. When the position was created it was brand new and there were no guidelines or comparable positions in state government. Staff was brought in to create and establish procedures and processes and Ms. Wallace provided guidance for staff in these areas and in assisting the Committee since she had expertise in this area. If there was a change in the direction and duties of the executive officer, the blame lies with the Committee since they set the direction and duties for the position. Every February the position was evaluated and there was a planning session every December to direct the Executive Officer with where the Committee wanted this Plan to go. The initial focus was to get state employees enrolled in the Plan. One big emphasis in state government is overseeing contracts and making sure they are being upheld which was part of the duties of our Executive Officer.

Chair Reed and Ms. Keating discussed reasons for the Committee to be educated and how the staff position assists in that education.

Chair Reed asked Mr. Ervin to review what his personal study results showed on the savings provided to participants since staff was hired. Mr. Ervin also noted that Higher Ed has 4 employees that deal with vendors and assist with their retirement plan.

Chair Reed observed that the Executive Officer had financial knowledge that exceeded his extensive education and it was beneficial in helping him make decisions in addition to helping the Committee protect their fiduciary responsibility.

Vice Chair Davie remarked that he has been on the Committee for 9 years and wants to stand behind what has been accomplished. When new members step in and want to change the record he feels very strongly about standing behind the work and progress they have done and doesn't want to see it regress.

Mr. Jim Barnes, former Committee member/chair, believed that a Management Analyst would be adequate for this position.

Dr. Romo asked if Mr. Fred Hinnens had any comment on the level of expertise and professionalism provided by staff.

Mr. Fred Hinnens stated when they served on the board it was so much smaller and he feels a little out of touch because the program has grown so much.

Mr. Jake O'Shaughnessy with Americh Massena commented that staff and committees and the role with providers tend to evolve. Because of the committee's other

commitments and responsibilities, the committee may lean on recommendations and advice from staff. The consultant works with staff in whatever area they are needed. Staff really is the first line of defense in executing the fiduciary responsibility of the committee and as the Plan grows this becomes more paramount.

DAG Parker quoted NRS 287.330 and commented on the function staff would have with the Committee and the some of the qualifications they should possess.

Chair Reed stated they would go into a non-meeting.

Mr. Sisco asked what the purpose of the non-meeting is and did not think it would be appropriate.

DAG Parker quoted 241.015 section 2b regarding meetings.

Dr. Romo noted he would be willing to open the discussion up to talk about it in public.

Chair Reed stated that counsel advised us there are potential litigious issues and they need to get information from counsel to be fully educated in fiduciary responsibilities. If they are not willing to speak with counsel in a non-meeting then they would have to be prepared to answer to participants in why they chose not to receive information from counsel and risk deliberate indifference.

Vice Chair Davie agreed he would go into the non-meeting to obtain legal counsel but the meeting would not be used to hide information from the public.

Mr. Sisco asked 2 things: 1. if there was a suit filed and 2. can we assure the people today that we will not discuss item I C from this agenda in any way, shape or form.

Chair Reed stated DAG Parker had no intention to discuss this item but wants to provide legal counsel.

DAG Parker noted that a non-meeting does not require an agenda.

Mr. Sisco commented that he didn't think the non-meeting was necessary since there has not been a suit filed.

Chair Reed called a break to go into the non-meeting.

Chair Reed re-opened the meeting. ([Audio 2: 00:00:04](#))

~~Motion made by Mr. Scott Sisco to fill the position at a management analyst level at full time and be evaluated each year, seconded by Dr. Carlos Romo.~~

Vice Chair Davie stated he would vote against the motion based on all his previous remarks on this position.

Ms. Karen Oliver remarked she would be able to support the motion because she felt we could fill all our responsibilities and the needs of the Committee with this level of position.

Chair Reed commented it is an unfortunate motion and thinks the executive officer should have a higher level of understanding in the finance industry. The executive officer helps protect the Committee and their fiduciary responsibility and Dr. Reed believes those who vote for this motion don't fully comprehend what fiduciary responsibility is and how it's protected. Additionally this will lower the service provided to participants. It was a great loss for this Committee to have Tara Hagan step down. She had a national reputation and people have not been given her credit for that. Her knowledge in this industry was well respected across the nation and with her background Ms. Hagan was a very good fit with this program and provided a great deal of savings to the Plan and to vote for this motion fails to recognize that fact.

Dr. Romo affirmed we need a professional and the purpose and function of this position has not changed but we are redirecting the position to fit best with the Committee and the Plan.

Vice Chair Davie noted the legislature approved for a professional position 5 years ago when we had less money in the Plan and now with more participant money we shouldn't be cutting back on our professional staffing. Mr. Davie agreed with Chair Reed on the performance of the previous officer and stated that downgrading the position is not benefiting our participants.

Chair Reed stated the title is not crucial but the salary offered won't attract the kind of professional who can do the work we need especially as we look to adding a ROTH function and possible loan functions.

Mr. Sisco amended the motion: Motion to hire position at Management Analyst I level at full time, titled Deferred Compensation Coordinator, and follow the list of duties as put out in his memo to Personnel Department. (See [Exhibit I-C-2](#))

Dr. Romo agreed with Mr. Sisco's amended motion and noted that we need to analyze the position and make sure duties are not duplicated between the investment advisor and staff.

Vice Chair Davie objected even more to the amended motion because it includes a hastily thought out job description and we need a more professional approach to the job description.

Mr. Sisco noted that when comparing his memo to the information from Personnel, they basically contained the same information which Personnel got from the interview with previous staff. The only differences Mr. Sisco questioned were whether or not staff conducted audits, provided investment advice or managed our legislative agenda.

Chair Reed, for the record, disagreed with Mr. Sisco on his explanation of the job stating the description is far more complicated than what he created in his memo.

DAG Parker reminded the Committee that at the last meeting the Committee approved the timeline and at the July 18 meeting the Committee is to finalize the job description and announcement.

Motion made by Mr. Scott Sisco to hire at Management Analyst 1 level at full time for the first year and evaluate each year thereafter and base the duties on the email memo to Personnel, seconded by Dr. Carlos Romo. Motion passed 3-2 with Chair Reed and Vice-Chair Davie opposed. ([Audio 2: 00:15:25](#))

Chair Reed ruled the amended motion as a substitution, so the first motion is removed.

Vice Chair Davie stated he couldn't object more strongly noting they could take more time to work on a job description. To take information presented in an email and not allow the Committee to evaluate it more in depth is unfair to the members and is not good procedure. We should take the 2 weeks we have and do a good job instead of adopting something that was hastily thrown together in an email.

Mr. Sisco commented that once this motion is finalized we can make a motion to bring a job description to the July 18 meeting. He wanted to make sure his motion was clear on what we were looking for in an operations manager so we can move beyond the investment counselor issue.

DAG Parker stated she understood the motion was to base the duties on the memo so that leaves it open to coming back with a more formal job description at the next meeting.

Dr. Romo questioned if there were any alternatives they could consider such as having a three month contract for the new employee.

Chair Reed stated it would need to be an agenda item to be discussed so they would add it to the next meeting agenda.

Mr. Sisco volunteered to draft a job description to be presented to the Committee for comment and input.

II. Administration ([Audio 2: 00:18:28](#))

A. Public Comment*

Mr. Ervin commented on the RFP scoring and disparity in ratings from Committee members and hoped going forward they would hear some explanations on those.

Mr. Sisco remarked that there was a lack of instruction for scoring so in using their own methodology and with the different scenarios they scored, there should be individual consistency, but there would be some highs and lows among the members.

Vice Chair Davie wanted to assure the public that once the contract is awarded the information from the closed meeting would be available to the public and when final presentations are given the Committee will have an opportunity to adjust their scores.

B. Discussion and possible action regarding Committee Members' Record-keeper RFP scoring, categories and concerns. ([Audio 2: 00:23:08](#))

- Discussion and possible action regarding correcting minor errors on the scoring sheet compiling Committee members' individual scores; possible adoption of an errata.

Chair Reed noted corrections to the score sheet: Rex Reed total score for Nationwide changed to 74.75 and Karen Oliver total score for Hartford changed to 77.

Chair Rex Reed made a motion to accept the changes to the score sheet, seconded by Dr. Carlos Romo. Motion passed unanimously. ([Audio: 00:25:01](#))

- Discussion and possible reconsideration of vote from the June 21, 2012 meeting, related to selection of finalists. ([Audio 2: 00:25:29](#))

No action taken.

C. Public Comment* ([Audio 2: 00:26:22](#))

No public comment.

D. Discussion and possible action and amendment regarding revisions to and approval of Arnerich & Massena letter to finalists which advises the finalists of presentation and scoring procedures for the July 18, 2012 meeting. ([Audio 2: 00:26:55](#))

Chair Reed stated, on advice from Kimberly Tarter with Purchasing, the Committee should formally accept a letter from Arnerich Massena to send to the finalists.

Mr. O'Shaughnessy with Arnerich Massena addressed the letter and possible areas the Committee might want to change or add to it.

Mr. Sisco felt this was the perfect opportunity to have our investment counselor hold the letter. He would like to enter in to negotiations with our two existing vendors for a new contract and believes we have met the statutory requirement by going out to bid as required every five years.

Motion made by Mr. Scott Sisco to suspend the process and instruct the investment counselor to negotiate a new contract with existing vendors, seconded by Dr. Carlos Romo.

Chair Reed pointed out this is not an appropriate motion because it is not properly noticed on the agenda.

Mr. Sisco indicated he would like an action item on July 18 to have the investment consultant enter in to negotiations with our two existing vendors.

Chair Reed stated we do have to let the bidders know if they will be presenting on July 18.

Mr. O'Shaughnessy provided two comments. First the majority of bidders did propose to provide a general account. Second, the Committee has a fiduciary responsibility to all participants and because of the dual providers there is a significantly higher fee being paid for a minority of the participants. The Committee should think about their fiduciary justification for the additional fee for the small contingent of the NDC Program.

Mr. Sisco made a motion to strike the sentence "It is anticipated that final scores will be tabulated and announced at the final meeting and that selection of a potential record-keeper or record-keepers will also be made at the meeting" from the letter. Motion seconded by Dr. Carlos Romo.

Vice Chair Davie remarked he didn't understand the rationale for removing the sentence since we want people to know the information.

Mr. Sisco stated he was concerned because there is a lot of emphasis suggesting that we are going to award a bid totally based on scores. There are a lot of other factors we have to take in to consideration besides the scoring.

Chair Reed stated it has been his experience using the current standard procedure for making decisions on this Committee that there haven't been problems and it has been working well. He questioned why Mr. Sisco wanted to have the procedure that, has been working well for participants, to be changed.

Mr. Sisco stated the Committee has some work to do, some relationships to rebuild and things to be cleaned up. Just because that's the way it has been done for the past 5-6 years does not necessarily mean that's best.

Vice Chair Davie noted he is still unclear on why they need to remove the sentence because it does not state that the selection will be based solely on scores. The scores have to be announced at the meeting.

DAG Parker referring to NRS 333 suggested as an alternative to leave the language and add wording "The contract may not necessarily be awarded according to the highest score".

Mr. Sisco withdrew his previous motion and Dr. Romo withdrew his second.

Motion made by Mr. Scott Sisco to add the sentence "The contract may not necessarily be awarded according to the highest score." after the sentence "It is anticipated that final scores will be tabulated and announced at the final meeting and that selection of a potential record-keeper or record-keepers will also be made at the meeting." Motion seconded by Dr. Romo, motion passed 4-1.

Chair Reed explained the next step of the RFP process in scoring the final presentations.

Vice Chair Davie stated the scores are not yet complete because we have not scored the references. Mr. Davie also asked for the opinion of Mr. O'Shaughnessy on adding the wording to the letter.

Mr. O'Shaughnessy commented on the wording.

Vice Chair Davie asked if 90 minutes for each presentation is standard.

Mr. O'Shaughnessy stated that was a little long and noted they could reduce the amount of time.

Vice Chair Brian Davie made a motion to change the time allowed to 60 minutes for the finalist presentations, questions and answers, motion seconded by Mr. Scott Sisco. Motion passed unanimously.

Dr. Romo requested under "Participant Services" to ask for the number of on-site service staff under both a sole and dual provider plan.

Motion made by Dr. Carlos Romo to add, under Participant Services, the number of on-site service staff under both a sole and dual provider plan, motion seconded by Vice Chair Brian Davie. Motion passed unanimously.

Motion made by Chair Rex Reed to ask bidders to bring 35 hard copies of their presentation to the meeting, seconded by Mr. Scott Sisco. Motion passed unanimously.

Motions made by Mr. Scott Sisco to approve the letter as amended and have Mr. O'Shaughnessy send it out, seconded by Dr. Carlos Romo. Motion passed unanimously.

Mr. O'Shaughnessy asked if the Committee would like to determine order in which the finalist present.

Chair Reed had names randomly drawn from a hat to indicate the order of presentations: ING, Hartford, Nationwide and Great West.

E. Public Comment* ([Audio 3: 00:01:24](#))

No public comment.

III. Comments/Updates

A. Investment Consultant/Service Providers ([Audio 3: 01:44](#))

Chair Reed requested Hartford to provide information regarding the non-spousal beneficiary issue from item II B from the June 21 meeting. They would like a full description of what happened and what Hartford proposes to do about the issues surrounding the distribution.

Mr. Robert Trenerry stated they would provide that information.

Mr. Bill Abramowitz noted they would provide that information prior to the July 18 meeting.

Vice Chair Davie commented he wanted to find out the resolution and a clear answer on what happened because this was a serious financial issue and they don't want to see this happen again.

- B. Deputy Attorney General ([Audio 3: 08:44](#))
DAG Parker reminded the Committee if they receive emails and communication from participants that needs to be distributed to the whole Committee to send that information to Micah Salerno or DAG Parker and they will distribute it.
 - C. Committee Members ([Audio 3: 10:20](#))
Mr. Sisco shared that he spoke to his administrative staff and he offered their services to assist with Committee business.
 - D. Staff ([Audio 3: 11:14](#))
No comment from staff.
- IV. Public Comment ([Audio 3: 11:26](#))
No comments.
- V. Adjournment
Motion made by Dr. Carlos Romo, seconded by Mr. Scott Sisco to adjourn the meeting. Motion passed unanimously.
- Meeting was adjourned at 12:28pm.

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.

Respectfully Submitted:

Micah Salerno
Administrative Assistant