

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 18, 2012, 8:30 AM**

The special meeting of the Nevada Deferred Compensation Committee was held on Tuesday, July 18, 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](http://defcomp.state.nv.us/NDC_MinutesMeetings.htm). In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (e-mail: [publications@lcb.state.nv.us](mailto:publications@lcb.state.nv.us); telephone: 775.684.6835).

**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 Abramowicz, Hartford  
Jim Barnes, Retired  
Bishop Bastien, ING  
Rob Bilo, Nationwide  
Tim Bock, Great-West  
John Borne, Nationwide  
Steve Bresler, Great-West  
Gregory Burke, Hartford  
Tony Camp, ING  
Dana Carvin, DHRM  
Scott Dunbar, Arnerich Massena  
Steve Ebert, Nationwide  
Kent Ervin, UNR  
Michael Hackett, Hartford  
Fred Hinners  
Jake Honea, Hartford  
Harriett Jacobs, Great-West  
Terri Laird, RPEN  
Peter Long, DHRM  
Steve Maschino, Financial Soundings  
Dana McCullough, Hartford

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Brian Merrick, ING  
Marc Metzger, Nationwide  
Julie Miramontes, Nationwide  
Kent Morris, Great-West  
Jeff Morrow, Hartford  
Chris Muha, ING  
Brent Neese, Great-West  
Jake O'Shaughnessy, Arnerich Massena  
Steve Platt, ING  
Kevin Rudman, Great-West  
Eric Stevenson, Nationwide  
Robert Trenerry, Hartford  
Todd Theroux, Hartford (by phone)  
Tom Verducci, Great-West

I. Committee

A. Call to Order/Roll Call

The special meeting of the Deferred Compensation Committee was called to order by Chair Rex Reed at 8:33am, July 18, 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 and Deputy Attorney General (DAG) Carrie Parker. Mr. Scott Sisco was absent. Chair Reed also recognized people participating in the meeting by telephone.

B. Public Comment

No public comment.

C. Participant Feedback and Comments

No comments or feedback made.

II. Administration

A. Discussion and possible action, including comments and suggestions by the Division of Human Resources Management to finalize job description and announcement for NDC Coordinator, including the procedure for selection ([Supporting Material](#))

Mr. Peter Long, Deputy Administrator with Division of Human Resources Management, addressed the Committee about the draft job announcement for the vacant staff position and recommended some changes. The salary range was incorrect and should be \$40,862.16 to \$60,405.84, under 'Position Description' the first paragraph should be removed, and page 2 under 'Qualifications' they wouldn't use the 2<sup>nd</sup> paragraph.

Ms. Karen Oliver questioned if they would use any testing for applicants for prescreening.

Mr. Long indicated they could administer a basic entry level written exam followed by an exam on training and experience.

Vice Chair Davie asked if there was cost for these services.

Mr. Long stated there is no cost.

Vice Chair Davie referred to the list of 8 questions on page 3 and inquired if this was normal to include in a job announcement.

Mr. Long commented that it is typical in a classified position and is used to award points to the applicant.

Chair Reed stated the description seemed lacking in regard to finance because the position refers to private finance as opposed to government finance. He noted that the questions on page 3 do not let the applicant know that this job is about private/high finance. Chair stated he is still opposed to a Management Analyst level because it doesn't fit the job description. He questioned if the emphasis on the physical test was along the lines of government accounting and finance.

Mr. Long indicated that the test did refer to government accounting and finance.

Ms. Oliver felt that through testing as well as adding something in the job announcement for those kind of analytical skills should help in finding the right applicant .

Vice Chair Davie was disturbed that the description does not include anything about experience in the finance or investment world or require that kind of knowledge. He does not agree with this job description at all and in moving away from professional management. He strongly believes in professional management to oversee the \$600 million of participant money in the Plan and the current job description which already exists, was provided at a previous meeting and is still valid would be the most appropriate.

Chair Reed clarified that Division of Human Resources Management did not produce this document but were kind enough to work with it.

Dr. Romo commented the Mr. Sisco authored the document and they would want to see the process move along. Dr. Romo suggested having the Committee give feedback to Personnel.

Vice Chair Davie stated that based on research by previous staff, cost for professional management to the majority of participants in the program is \$2.45 annually. By reducing the salary of this position by \$30,000-\$50,000 it will save the participants about \$0.50 per year. Mr. Davie asked if that was worth not having professional management.

Chair Reed noted the program has changed and with those changes is the need for professional management. His biggest concern is the salary, because they need to find someone who is willing to serve the participants and at the pleasure of the Committee.

**Motion made by Dr. Carlos Romo to proceed with existing description for Deferred Compensation Program Coordinator, make changes suggested by Mr. Long and work with HR Personnel to change description based on Committee input, seconded by Ms. Karen Oliver. Motion dies with a 2-2 vote.**

Vice Chair Davie stated the vote stops the process and we can't move forward. Although he feels intellectually dishonest going forward with this proposed job description he sees the importance of hiring staff and would like to open the motion again.

Mr. Long questioned if they were making a motion for the description or the entire announcement because there were other concerns they had with the description. Referring to page 2 under 'Qualifications' second paragraph, Mr. Long stated the wording could cause an applicant to self-screen themselves out. He noted they will work with the Committee to come up with the best description.

Vice Chair Davie asked if there was a standard job description for a Management Analyst 1 position and suggested they use that as a starting point and add items that are important to the position and what is expected of the applicant.

Mr. Long verified that there is a general job description but it is very generic. They could provide that to the Committee. Mr. Long also recommended changing the description of benefits under 'Salary and Benefits'.

Vice Chair Davie questioned if there is standard language for state benefits and would suggest using that. He also stated he would like to see a cover letter, resume and state application for the applicants as each item would cover different specifics.

Mr. Long commented it is up to the Committee on what information they want to receive.

Ms. Oliver agreed with Mr. Davie on asking for a cover letter, resume and application so they would have as much information as they could.

Mr. Long asked if the Committee wanted the written exam to be used as pre-screening before asking the questions provided and if the Committee felt the questions were appropriate and how they should be scored. Mr. Long stated they would provide a list of the most qualified applicants to be interviewed.

Dr. Romo felt 2 weeks would be enough time for the Committee to submit suggestions.

Vice Chair Davie agreed in using the exam for pre-screening but believed the questions should be part of the interview process and not included in the description..

**Motion made by Vice Chair Davie to move ahead with the recruitment process with the help of Mr. Long and staff and to accept their recommendations for changes, to start out with a Management Analyst 1 position and include/exclude items from draft, removing questions from page 3, and to require a cover letter, resume and state application. Motion seconded by Dr. Carlos Romo, vote passed unanimously.**

Vice Chair Davie asked Mr. Long to provide the Management Analyst 1 description and the Committee would make suggestions for language to be added and set a deadline of 2 weeks to get the description finalized.

DAG Parker recommended the Committee approve the final version at an open meeting, which could be done telephonically, to comply with Open Meeting law.

Chair Reed suggested having a telephone meeting August 1<sup>st</sup> at 8:30am to approve the job description. The agenda would have to be noticed by July 27.

Mr. Long questioned how long the announcement should be open, once approved. He noted they would need time for testing once the applications are received.

Vice Chair Davie stated they should look at dates when they have the meeting to approve the job description.

#### B. Public Comment

Dr. Kent Ervin addressed the Committee on the summary from the 4 finalists referring to the costs involved and encouraged the Committee members to act in the best interest of participants.

#### C. Record-keeper request for proposal (RFP) Finalists Presentations, including discussion, final scoring and notice of intent to award the contract pending successful negotiations. Presentations are anticipated to be in the following order:

- 1.ING
- 2.Hartford
- 3.Nationwide Retirement Solutions
- 4.Great West Retirement Services

Chair Reed made several statements:

- First presenter is ING. Several bidders requested a closed session because of proprietary information. This requires a motion from the Committee and the motion has to pass. If a request is made they would like an explanation on why it should be closed.
- The Committee is allowed to accept revised proposals; a motion must be made and passed in order to accept the proposals submitted yesterday.

- Presentations will be 1 hour long.
- The Committee asks, as a courtesy, that other bidders leave the room until it is their turn to present. However, the presentation will be going over the internet.
- There are 2 representatives from Arnerich Massena and they will be allowed to ask questions.
- The Committee will have the opportunity to change their scores after all presentations are made.

Vice Chair Davie commented that he would be very skeptical of any effort to close the meeting. There are many people interested in this meeting and the Committee's decision and it would be a disservice to them to close any portion of this meeting.

**Motion made by Dr. Carlos Romo to accept the revised proposals that were submitted as of 5:00pm yesterday (July 17), seconded by Mr. Brian Davie. Vote passed unanimously.**

Mr. Brian Merrick introduced the team presenting for ING: Steve Platt, Bishop Bastien, Chris Muha and Tony Camp. ING presented to the Committee with information on ING and how they would serve the NDC.

Following the presentation, the Committee and investment consultant asked questions of ING.

Mr. Jake O'Shaughnessy with Arnerich Massena commented on the pros and cons of open architecture and proprietary structures and questioned how ING would consult the Committee and what factors they should weigh to consider a proprietary fund arrangement or open architecture structure with ING.

Mr. Bishop Bastien and Mr. Tony Camp addressed the question from Mr. O'Shaughnessy and gave a more detailed explanation on the stable value fund with advantages and disadvantages and noted the Committee would have to decide what's more important for participants.

Dr. Romo asked why ING participation has been lower than Hartford.

Mr. Steve Platt stated it is because of time. ING has been with the state for 10 years and Hartford for 26 years. In addition, ING's base demographic is younger than Hartford so there is less money invested with them.

Vice Chair Davie asked for clarification on the proprietary fund inquiring if it would not be held in trust and would have no insurance. Also Mr. Davie wanted to know what ING would do to educate participants on the risk involved with this kind of investment.

Mr. Camp noted the assets held in trust are owned by the insurance company. There are documents provided to clients which outline the risks in what happens in a general account with disclaimers in regards to risk.

Mr. Bastien added the account is backed up by \$100,000 of coverage from the guarantee association.

Chair Reed referred to the FICA Program and noted that ING did not address this in their presentation.

Mr. Bastien stated they focused on scenarios 1 & 4 for the presentation and that there were no changes to the pricing of the FICA Plan.

Mr. Platt noted the FICA Plan rate was a 1% guarantee and \$12 per participant annual charge.

Ms. Oliver questioned on the rates of 3 & 3½ percent that were offered and which fund would that be in. She also asked if it is similar to the Hartford General Account.

Mr. Bastien says the funds operate similarly and stated the fixed rate is for the first 2 years and then the rate would be set for years 3, 4, and 5 after that, normally on an annual basis.

Dr. Romo questioned what specifically targets retirees and how would they communicate with them.

Mr. Platt stated 'Retirement Readiness' is what addresses both retirees and those getting ready to retire. They would utilize computer and mail campaigns to help people understand what retirement is about. Additionally there is a phone based team that can discuss issues with retirees at their convenience.

Mr. Bastien remarked that the current platform does have the ability to designate retirees and they would be able to call out those people for a seminar, campaign, mailing or whatever is best.

Vice Chair Davie commented on 'My Retirement Outlook' and how it referred to PERS data and questioned if those numbers are based on formulas or actual data.

Mr. Platt stated it is formula based and explained how it works but you can input actual data.

Chair Reed mentioned the notation of 'reserving the ability to assign dedicated staff to other projects' and inquired what is meant by that.

Mr. Bastien noted that should they need to reassign a representative they wanted to have the ability to do so. They have never pulled staff from the NDC plan but reserve the right if necessary.

Ms. Oliver commented on the ING focus on technology and heard them say that technology comes at a price.

Mr. Bastien stated that is an accurate comment and remarked that ING invests 20-30% of their revenues in technology.

Ms. Oliver asked if the technology makes their bid higher or is it something internal to the funds.

Mr. Bastien gave a brief explanation of how costs break down but couldn't give an exact percentage on what the costs of technology were.

Dr. Romo remarked that they cover so many areas and wondered what was left for staff to do.

Mr. Bastien noted that staff is responsible for holding the provider(s) accountable, making sure the Committee's wishes are carried out and they look out for the participants.

Vice Chair Davie addressed the uncertainty of the IPO and asked for details and how it might affect the NDC Plan.

Mr. Merrick mentioned they are making progress in becoming an independent, stand-alone company but it does not affect their commitments to NDC or commitments to retirement plan services.

Mr. O'Shaughnessy asked a follow-up question: "on the off chance, if you were acquired by another entity and you had a general account obligation with a particular client, in your opinion what would happen from the acquirer's perspective to the obligations of an ING contract?"

Mr. Tony Camp stated any sale that would affect the general account or any insurance obligation of ILIAC would have to be approved by the insurance commissioner in Connecticut whose first and foremost duty is to protect the liability and policyholders of the insurance company.

Ms. Oliver wanted to know what proprietary fund the NDC Plan would be required to keep with the contract.

Mr. Bastien remarked that with the revised 'scenario 4' the only fund required would be the ING Fixed Account, but with revised 'scenario 1' there were no required proprietary funds.

DAG Carrie Parker questioned if the portfolio update was meant to be available to the public.

Mr. Bastien stated it was proprietary information and not available for the public.

Chair Reed thanked ING for their presentation and called recess to allow time for the Hartford to set up.

Chair Reed addressed the Hartford before their presentation regarding closing the meeting and timing of presentation and questions

Mr. Jeff Morrow with the Hartford retracted their request to have a closed meeting.

Mr. Bill Abramowicz introduced the team presenting for the Hartford: Dana McCullough, Greg Burke, Jeff Morrow, Robert Trenerry and Steve Maschino from Financial Soundings. The Hartford presented to the Committee with information on their company and how they would serve the NDC.

Following the presentation, the Committee and investment consultant asked questions of the Hartford.

Ms. Oliver remarked that she was hearing them talk about reports they can provide and that participants can educate themselves but she wasn't hearing enthusiasm to get participants on board and grow the program.

Mr. Trenerry commented on the quality of the account representatives and the amount of experience they have. They are out everyday working with individuals and that will not change, but with technology changing and using Financial Sounding, they have the ability to work with new hires, people not in the plan and current employees. Our people are dedicated to growing this plan.

Chair Reed noted they did not address the FICA Plan and asked for information on that.

Greg Burke stated it would be a 3% crediting rate for the first year and 2% for the floor.

Vice Chair Davie questioned about the extreme uncertainty with the sale of the Hartford and wanted some clarification about how all these services and pricing guarantees would be provided if the contract is awarded to them, but it won't be the Hartford carrying out the contract.

Mr. Abramowicz stated the committee has the flexibility to write this contract and terms to best fit the state of Nevada. Whoever purchases the Hartford knows the contractual agreements are part of the agreement. He is confident the Hartford will back that and the new company also. Although Hartford Retirement is being sold, the general account will still be maintained and backed by the Hartford.

Dr. Romo called attention to the discontinuance provision in 'scenario 1' noting that retirees are a large portion of the general account and wondered how this would affect them.

Mr. Burke shared that the discontinuance provision does not apply to individuals only if it was a transfer of an entire plan assets, so it would not affect them.

Mr. O'Shaughnessy commented on the 10 basis point bid for a proprietary setup compared to the 25 basis point bid for open architecture and noted the deficit in funding the program with the 10 basis point setup. He questioned the Hartford on this and if it was a fair way to estimate the revenue the Hartford receives from their general account.

Mr. Burke stated on a daily basis you can't say the Hartford is earning a set amount in basis points because there are several components that have to be looked at to find the revenue for the general account such as surplus requirements, capital, the cost of the guarantees (2% guarantee offered).

Chair Reed reminded the Committee to hold on to all RFP papers because they would need to be collected at a later date. Chair called for a one hour lunch break.

Chair Reed re-opened the meeting following the break and explained how the timing is handled for the presentation.

Mr. John Borne introduced the team presenting for Nationwide: Eric Stevenson, Rob Bilo, Julie Miramontes, Marc Metzger and Kevin O'Brien. Nationwide presented to the Committee with information on their company and how they would serve the NDC.

Following the presentation, the Committee and investment consultant asked questions of Nationwide.

Dr. Romo asked them to elaborate on the statement they made about problems the Committee has.

Mr. Stevenson clarified he was referring to retirees and their questions. Nationwide would develop a full financial plan for every one of the retirees to help them.

Mr. O'Shaughnessy asked them to discuss how the fixed rate is set.

Mr. O'Brien stated there are segregated portfolios for specific plans which are examined on a quarterly basis and there is also a standard book plan which is set across the majority of plans. For NDC they are looking at the segregated portfolio.

Chair Reed asked who wraps their general (or fixed) account.

Mr. O'Brien noted the general account is unwrapped because it is the asset of the insurance company but the stable value account is wrapped. Their offer is based on the general account.

Vice Chair Davie asked for clarification on the additional charge for a custom target date fund.

Mr. Borne stated there is additional work involved with blending that rate and there is a minimal additional fee to administer those 'fund to funds'.

Dr. Romo asked if they had given consideration to our 42 alliance partners who participate in the NDC Plan.

Mr. Borne stated those participants would receive the same face-to-face service and would be considered equal with the state employees.

Mr. O'Shaughnessy asked how the mechanics would unfold with the transition from the Hartford general account to their fixed account and would they blend the current rate with the Hartford.

Mr. O'Brien explained they would do a block asset transfer and would blend the rate.

Chair Reed questioned how often someone can manually re-balance their account.

Mr. Stevenson stated there is no limit on transfers or re-balances of accounts.

Vice Chair Davie liked the performance guarantees but wanted to know what specific steps they would take to address leakage and increasing the participation rate.

Mr. Stevenson noted the sales process they use changes the dynamics in communicating with participants, they also have a targeted marketing campaign followed up with a developed strategy, and they use technology to support their people and our participants.

Dr. Romo asked what emphasis they would give to stop the leakage from retirees and for retaining retirees.



Mr. Biló indicated a key message for retirees and active employees to understand is the power of a group buying plan is far superior than anything they can do on an individual basis. Their retirement specialists would work to identify this group of individuals to meet with them face to face to get this message across to them clearly.

Mr. Stevenson added they have a growing department that is committed to this whole financial planning for retirees. In order to change behavior the retirees need to have real sense for where they are, how they want to live and have an action plan to move forward with.

Chair Reed asked if they were satisfied with their call-center response times.

Mr. Stevenson answered yes they were.

Vice Chair Davie addressed the FICA program and the conditions they noted in their original RFP submission and asked for clarification.

Mr. O'Brien noted the only condition was that they would be the exclusive provider for that plan.

Chair Reed stated the FICA plan is a sole source provider system.

Mr. O'Brien noted that since the FICA plan is a sole source provider so that would resolve the condition.

Dr. Romo referred to a state plan that terminated with Nationwide after 27 years and asked for more information on that.

Mr. Stevenson stated it was a large plan and very difficult to manage but they felt they helped prepare a lot of participants, helped grow the plan a lot and provided great service to them overall. They believed some of the issues in that relationship had to do with the old recordkeeping platform which they have changed and NDC would be using the new platform.

Chair Reed thanked Nationwide for their presentation and stated there would be a short recess to allow Great-West to set up.

Chair Reed welcomed Great-West and explained the timing of the presentation and questions.

Mr. Brent Neese introduced the team presenting for Great-West: Kent Morris, Kevin Rudman, Steve Bresler, Tim Bock, Tom Verducci, and Harriett Jacobs. Great-West presented to the Committee with information on their company and how they would serve the NDC.

Following the presentation, the Committee and investment consultant asked questions of Great-West.

Dr. Romo commented on the general account and its guaranteed rate and asked what assurance Great-West could provide with their stable value account.

Mr. Neese noted there are a number of different options. They have proposed the custom stable value fund because they believe the cost, safety, transparency, control and stability are best for this plan, but recognizing the sensitivity of this general account issue they could allow a general account option if there was an insurance company willing to provide a general account. They have done this in the past during transition until they got participants in to a more transparent and stable fund.

Mr. O'Shaughnessy questioned how the rates are negotiated and set when they have worked with a provider and an existing contract expires.

Mr. Morris noted in one case they had this happen, the rates were contractually in there so they were maintained.

Ms. Oliver commented it sounded like the best of both worlds and inquired how long this arrangement would last and asked for specifics on how it would work.

Mr. Morris explained that there are different scenarios but shared several examples of how they have done this in the past noting there is no set time for this type of strategy.

Mr. Neese pointed out the flexibility with Great-West and noted there are other options available that weren't even discussed that add to that flexibility.

Chair Reed had a question on their ability to provide a Roth 457.

Mr. Morris affirmed they are currently providing a Roth 457 option.

Vice Chair Davie asked about how they wrap their custom stable value and because it is backed by them if Great-West were to go out of business how would the participants be protected.

Mr. Neese noted they only wrap custom stable value funds when they do the management. The insurer standing behind the book value liquidity guarantee is Great-West and the Committee would want to be very mindful of Great-West's financial ratings and balance sheet in allowing them to be the NDC provider. One of the advantages of being both the manager and wrap provider is that they understand the cash flow of the company and know the liquidity risk.

Dr. Romo inquired about their references and asked why their contract was terminated with state of Minnesota.

Mr. Neese stated Minnesota was a long term and great client and they believed the decision for Minnesota to choose a new provider was price driven because the new provider made a proposal for a substantial reduction on fees that Great-West was charging.

Mr. O'Shaughnessy questioned what the yield would be if our plan were to purchase a custom stable value at this time.

Mr. Neese commented there was no way to guess those numbers for January 2013 timeframe, but the 2 factors that influence it the most are portfolio construction and duration. New portfolios they are currently seeing which are conservative are in the range of 220 gross, with their fee at 20 basis points so it would be somewhere around 2. He wouldn't suggest using these numbers for projecting into January 2013 because the numbers could change quite a bit.

Chair Reed thanked Great-West for their presentation and noted there would be a short break.

Chair Reed stated they were still on tem II C and mentioned the Committee had to decide whether they wanted an open architecture or proprietary system, then they would go through the scoring.

**Motion made by Dr. Carlos Romo to go to a proprietary system, seconded by Ms. Oliver. Vote passed 3-1, Chair Reed voted nay.**

Vice Chair Davie asked for advice from the investment consultant with the advantages and disadvantages of open architecture and proprietary systems.

Mr. O'Shaughnessy explained that in a proprietary structure some funds could be chosen by the recordkeeper and if you have the same entity as your recordkeeper and investment manager they generally provide the administrative function for less expense than a strictly open architecture mandate. When considering a proprietary investment, like a general account, the advisors are willing to discount the administrative charges applying to participants. If they are willing to offer a general account it would be incumbent to leverage that investment to lower the administrative charges. However, if the Committee would like to move away from a general account because they want transparency and want the assets held separately from the entity in trust then they should go with an open architecture mandate which opens up the considerations and the skill set of providers, and services and costs will vary. After hearing all the testimony from these providers the Committee should gauge their comfort level with the general account offerings with pros being a higher rate in today's environment and lower administrative charges, and cons being lack of transparency and risk of assets begin impacted in insolvency.

Vice Chair Davie commented his gut says to go with open architecture because of transparency but he sees the advantages to a proprietary structure. If they choose to go proprietary they need to make a strong effort in educating the participants on the risks involved in general funds because many of the participants think they are getting a guaranteed crediting rate with no risk, which is totally wrong.

Mr. O'Shaughnessy agreed with Vice Chair Davie and stated if the Committee does choose a proprietary mandate the contracting is extremely important. You need to have terms in which you can exit a proprietary fund so you may be able to move away from the issuer of the general account if there is a problem with the issuer.

Chair Reed also agreed with Vice Chair Davie in regard to the general account risks and commented on one bidder that gave their proprietary information which stated they wanted a specific amount of time to liquidate funds. That is a negative they have to keep in mind because this is the participants money.

Chair Reed pointed out they would go through the scoring with Mr. O'Shaughnessy recording the scores.

Mr. O'Shaughnessy explained they would go by section and asked each member for their scores. He may ask for explanation if scores seem extremely deviant to provide clarification.

Dr. Romo asked if they would be giving scores for references at this time.

Mr. O'Shaughnessy mentioned they could score in any order they preferred.

Chair Reed remarked they would score the references first and asked if anyone wanted to close the session. No move was made so they went forward with announcing scores.

Mr. O'Shaughnessy started with references for Great-West.

Chair Reed noted that Mr. Sisco gave him his scores (relative to the references) and reported those to Mr. O'Shaughnessy.

Mr. O'Shaughnessy moved on to the Hartford, ING and Nationwide and then moved to the section on Relative Experience/Organization/Financial Strength.

Chair Reed requested, in the interest of time, that they report only the changes they made instead of going through each section.

Mr. O'Shaughnessy asked each member to note any changes they made.

Vice Chair Davie thanked all of the bidders and commended them on the excellent presentations they made.

Several members changed a few scores and then Mr. O'Shaughnessy compared final totals with each member,

Mr. O'Shaughnessy tabulated all the scores to obtain the final results noting ING had the highest score at 81.9, Hartford second with 80.65, Great-West third with 80.05 and Nationwide last with 77.6. ([RFP Final Scores](#))

**Motion made by Vice Chair Davie that based on the scores they award the contract to ING and if negotiations don't work out it would go to the Hartford, seconded by Chair Reed.**

Vice Chair Davie noted they have a scoring system and he believes they should follow it. He asked their deputy attorney general to comment on the statutes and requirements. DAG Parker remarked they have been following the purchasing statutes as close as possible and quoted NRS 333.335 subsection 5 which says the Committee "shall award the contract based on the best interests of the State, as determined by the total scores assigned pursuant to

subsection 3, and is not required to accept the lowest-priced proposal". If the Committee would select the highest scorer it is her opinion they would have the protection of that statute and it would be in evidence of it being in the best interest of the state.

Dr. Romo commented on the minimal differences in the scoring and that he had heard from participants that they wanted to have a general account.

Ms. Oliver also stated the participants she heard from wanted the general account. She felt all the recordkeepers would be very good and could provide good service and it's a tough decision but would like to consider keeping the general account and the Hartford plan.

Vice Chair Davie noted staying with the general account loses .25 basis points according to the final bids so he doesn't think that is a valid argument because there are better options out there.

Chair Reed remarked this is not an election or popularity contest and although we do have to keep the participants in mind we ultimately have to decide who will provide the best service for the cost they proposed. The participants have commented they want to stay with the Hartford but that is not who is providing the best service according to our scores. The participants do not have the bids and all the information we have access to. It is a sad fact that Mr. Sisco is not here to discuss the discrepancies in his scores.

Dr. Romo again mentioned the minute difference in the scores and that they needed to consider the costs associated with administering the general fund and still found the Hartford as the lowest.

Ms. Oliver was concerned if ING was the buyer of the Hartford they would be paying a lot more and they would lose their general account forever.

Chair Reed recognized that Mr. Sisco was in the audience and asked him to join the Committee.

Mr. O'Shaughnessy reviewed for the Committee in the most recent offer that ING offered 3.5% for 2013 and 3.0% for 2014 which was the longest commitment and highest rate in the bids presented and the cost was a little bit higher.

Chair Reed asked if Mr. Sisco heard his comment about the scores.

Mr. Sisco apologized for not being able to attend the meeting and noted he sent an email to Chair Reed with his scores.

Chair Reed called a vote for the motion to instruct Arnerich Massena to negotiate a contract with ING and if they can't come to an agreement then they would negotiate with the Hartford.

**Chair Reed and Mr. Davie voted for the motion.**

Dr. Romo asked for clarification on the motion.

Chair Reed restated the motion: To instruct Arnerich Massena to negotiate a contract with ING, the highest scorer, and if ING and the Committee could not come to an agreement then they would negotiate with the Hartford.

**Dr. Romo and Ms. Oliver voted against the motion.**

Chair Reed conferred with DAG Parker to see if Mr. Sisco would be allowed to vote since he was not at the meeting during the presentations.

DAG Parker reviewed the open meeting law and stated it is silent whether a member who arrives late to a meeting may vote on a motion being discussed.

Mr. Sisco suggested the Committee continue with the current motion and he would participate in the next motion.

Chair Reed stated the **motion died 2 – 2.**

**Motion made by Dr. Carlos Romo to award the contract to the Hartford and if negotiations fail then they would go to ING, seconded by Mr. Scott Sisco.**

DAG Parker advised the committee from a legal standpoint they must negotiate a contract with the entity that proposes in response to the RFP and Hartford has represented they will announce their sale in 1-2 months and it is unclear when the sale will become effective. Hartford has also represented that their buyer would be bound by these obligations and agree to whatever contract we draft with the Hartford but she has not seen a sale agreement to be able to weigh in as their legal counsel. There is a lot of uncertainty and Ms. Parker has been authorized by her office that it is very risky to contract with an entity who has announced publicly that they will no longer be in business when the contract becomes effective.

Mr. Sisco thanked DAG Parker for her counsel but noted that it is just counsel and they have to make a decision and they have a motion and second.

Dr. Romo is going on what participants want and has not heard any different. He noted they understand the risk of the general fund. If the score was not so close he would feel differently, but he thinks they need to go with what the participants want.

Chair Reed reminded Dr. Romo he is a fiduciary and the participants have not had the benefit of reviewing all the information the Committee has. Their responsibility is not necessarily for what the participants want, but what is best for them. To state on record that it is what the participants want makes it difficult to defend his fiduciary responsibility.

Dr. Romo commented the participants are one of the issues but not the only one. He stated there is a record, history and relationship that have been established with the Hartford for many years and he feels the production and number of participants with the Hartford would continue. Dr. Romo also commented on the problem of leakage.

Ms. Oliver noted they watched participants comment on their local representative during the presentations so the participants' preference does matter.

Vice Chair Davie remarked there are over 13,000 participants and we have heard from a select number of them. This is not a popularity contest and they have not had all the information. The purpose of this committee is to evaluate all this information and make the best decision. That is what the scoring system set out to do and we have an obligation to follow our legal advice and not put this Committee in harm's way by having that decision challenged.

Chair Reed stated the Committee is not covered by the state's Tort Fund.

Mr. Scott Dunbar with Arnerich Massena stated that their firm is trying to act in full support by providing facts, eliciting questions and going through a fair and open process. If the Committee votes to go ahead with the selection of the Hartford where through the scoring process it did not come out number one and based on advice of counsel that there may be legal issues raised their firm would seriously have to consider withdrawing from their engagement with NDC.

Mr. Sisco shared his frustration with how often they get threatened with lawsuits. That does not change his opinion because there are a lot of participants who want to stay with the Hartford and that would get displaced. It is not unheard of for this Committee to have not negotiated with the highest scorer, according to a former Committee chair. This whole process has been somewhat concerning we decided to go down one path and were bound and determined to do that.

Vice Chair Davie remarked they are putting the Board of Examiners and the state in an awkward position if they are going to have to approve this contract with a firm that is going out of business. We have a co-fiduciary who is telling us we are not moving in the right direction. Chair Reed added that the Committee has 2 professionals that work in the industry, our DAG and our investment consultant, who have both raised serious concerns. It seems strange that

we who don't work in this industry full time are saying we seem to think we know better. Chair Reed asked Mr. Sisco if he had ever been sued.

Mr. Sisco stated he had been sued and was frustrated with all the talk of lawsuits. He also felt they were relying on the investment consultant who does not have much experience with the state of Nevada having only been through this one RFP. Mr. Sisco commented he has been concerned all along about bias that was transferred from the previous employee to the investment consultant. There is a motion and a second and he urged a call for a vote. Chair Reed stated he took that comment as a personal attack on Tara Hagan's integrity and feels it is deplorable that Mr. Sisco would say that about her. Chair worked with her constantly on this board and she never evidenced any kind of bias. So to base your decision on the fact you think she was bias is inappropriate.

Mr. Sisco stated that Chair Reed came to his office and said they needed to get rid of the Hartford and that Tara had informed him about all the problems they had with Hartford, so yes there is bias. We should not continue this conversation, but take the vote.

Chair Reed stated he never went to Mr. Sisco's office. He also commented they cannot impinge the integrity of an employee like that.

Dr. Romo asked the investment consultant if they had ever seen this scenario before.

Mr. O'Shaughnessy noted he had not seen this scenario where there was a process that identified a clear number one and that number one was not the primary choice to contract with.

Mr. Sisco noted his department does about 30-35 contracts per month and this happens all the time, after you take everything in to it, that you have to select a vendor that best meets the need of the participants or the state.

Chair Reed questioned if Mr. Sisco had personally been sued, which is different than a department being sued.

Mr. Sisco confirmed he had.

Vice Chair Davie commented that the 4 Committee members had listened and evaluated the presentations all day to come to a clear decision with scoring and now a member shows up at the end of the meeting and will influence the vote without having had the benefit of these presentations, that knowledge and experience on the Committee and there is definitely something wrong with that picture.

**Chair Reed called a vote on the motion to have Arnerich Massena negotiate a contract with the Hartford and if negotiations fail to go to ING. Motion passed 3-2, Chair Reed & Vice Chair Davie voted against the motion.**

D. Public Comment

No Public Comment.

E. Discussion and possible action regarding Committee coverage under Tort Claim Fund

DAG Parker commented that if the committee would like to obtain coverage, if they are not already covered, that would need to be submitted by early September.

Vice Chair Davie had to leave to catch his flight.

**Motion made by Mr. Scott Sisco, seconded by Dr. Carlos Romo to sign up the Committee for the Tort Claim Fund coverage. Motion passed unanimously 5-0, Vice Chair Davie voted before he left the meeting.**

Chair Reed questioned when the coverage would be in effect.

DAG Parker stated she believed that through her emails with Nancy Bowman that coverage would be retroactive to July 1, 2012.

III. Comments/Updates

A. Investment Consultant/Service Providers

Mr. O'Shaughnessy commented for the record that they have not been biased and work with all of the providers with zero bias and the issue they had was with the process.

Mr. Morrow with the Hartford commented about their long standing relationship with Nevada, they were pleased with the outcome and are looking forward to working with the Committee and the investment consultant to work on final details of the contract. He thanked the Committee for the opportunity to be there and they looked forward to future years with the state of Nevada.

B. Deputy Attorney General

No comment.

C. Committee Members

Mr. Sisco apologized again for not attending the full meeting. He had planned on coming but due to issues at his department was not able to. He stated it was not his intention to join the Committee when he finally made it to the meeting, but the Chair asked him to join them and he apologized to the Committee.

D. Staff

No comment.

IV. Public Comment

No comment.

Chair Reed spoke to Arnerich Representatives and asked them to let the Committee know their decision quickly because it would affect how their contract is negotiated and instructed them to contact DAG Parker with that decision.

V. Adjournment

**Motion made by Dr. Carlos Romo and seconded by Mr. Scott Sisco to adjourn the meeting.**

Meeting was adjourned at 5:20pm.

Respectfully Submitted:

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Micah Salerno  
Administrative Assistant