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NDOT

Carrie L. Parker
Deputy Attorney General

Nevada Public Employees' Deferred Compensation Program
DRAFT

DEFERRED COMPENSATION COMMITTEE CLOSED MEETING MINUTES FOR

Wednesday February 29, 2012

The closed meeting of the Nevada Deferred Compensation Committee was held on Wednesday, February 29, 2012, at 11:55a.m. in Room 2135 of the Legislature Building, 401 S. Carson St., Carson City, NV. A copy of this set of "meeting minutes," 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.

STAFF, BOARD, ATTORNEY and OTHERS PRESENT:

Tara Hagan, Executive Officer
Jenny Potts, Secretary
Rex Reed, Chair
Brian Davie, Member
Karen Oliver, Member
Scott K. Sisco, Member
Carrie L. Parker, Deputy Attorney General
Jake O'Shaughnessy, Arnerich Massena

These minutes are a draft subject to approval by the Deferred Compensation Committee at the next regularly scheduled meeting.

Call to Order (Audio: 00:01)

The closed meeting of the Deferred Compensation Committee was called to order at 11:55am, February 29, 2012, in Room 2135 of the Legislature Building, 401 S. Carson St., Carson City, NV. Members Present: Chair Rex Reed, Brian Davie, Karen Oliver, Scott K. Sisco, and Deputy Attorney General (DAG) Carrie Parker.

Staff noted that the closed session is regarding the Provider Request for Proposal (RFP) and wanted to go over the differences from the current RFP and the 2007 RFP, and to discuss recommendations regarding stable value options.

Chair Reed noted they would go through the entire RFP by page.

Staff reminded the committee that once the RFP is released there would be a blackout period where there should be no discussion or communication with any current provider, potential bidder, lobbyist or any interested party at any time during the process until the sealed bids are received in the NDC office on April 30, 2012.

Mr. Sisco questioned if the communication just pertains to the RFP or should all communications with current providers not take place.

Staff suggested that the committee not have any communication with current providers during this 2 month period so that the RFP process is not interrupted by an appeal.

DAG Parker stated they could contact the current providers to make changes to their personal accounts, but not for any other communication.

Page 3 of the memo from staff: Chair Reed questioned why the wording has to say 'required minimum revenue' under "Review Scope of Service", line 3. (Memo)

Mr. O'Shaughnessy with Arnerich & Massena addressed the question stating it is normal to use this wording but it does not have to say 'minimum'.

RFP Page 1: Chair Reed asked if there needed to be a meeting if questions are submitted. (Audio 9:25)

Staff and Arnerich Messena noted they generally take care of questions, so a meeting wouldn't be needed.

RFP Page 9: Chair Reed questioned why ING has fewer participants in the political subdivisions of the FICA Plan. (Audio 10:20)

Staff commented that many of the participating employers were historically with Hartford and Hartford brought them to the State Plan. The FICA plan has a contract with the state and will have an option to renew their contract or go out on their own once the RFP is awarded.

RFP Page 10: Chair Reed requested an explanation of line 1 "ING Stable Value fund requires a 12-month put option".

Mr. O'Shaughnessy explained the process of the Stable Value Fund. (Audio 11:35)

RFP Page 13: Chair Reed asked for clarification on the Trustee/Custodial Services.(Audio 13:28)

Staff stated that the committee is the trustee and has trustee agreements with both current providers but the money has to be held somewhere and the documents refer to that.

Staff stated the importance of the recommendation from staff and Arnerich Massena on the change of the stable value account. For the benefit of the committee and their liability, and the participants; all assets in the plan, regardless of the investment option, must be in trust, owned by the plan and under the control of the committee. In this plan we can no longer afford to have the risk to hold money in an insurer's general account, which is owned by the insurer, and subject to general creditors of the insurer. The assets need to be in trust and owned by the plan. (Audio 14:05)

Mr. Sisco questioned if this is referring to doing away with the Hartford general account.

Chair Reed noted that many participants have money in the general fund and may be contacting the NDC with questions on why this fund would be eliminated because they are happy with the 4% return they have been getting.

Mr. O'Shaughnessy stated that getting out of a general account can take up to 5 years. The general account is basically like "loaning" money to the Hartford and making 4% on the loan. If the Hartford were to declare bankruptcy all the assets in the general fund would get hung up in bankruptcy proceedings which can take a lot of time. The committee has no control over the funds in that account or what the Hartford does with those funds. Participants may not understand some of the risks they are taking by investing in the general account.

Chair Reed stated we cannot understand the risk related to the general fund because it is hidden and they won't disclose into detail where the money is invested.

Mr. Davie stated that we (the committee) don't have control of over half the assets in the program because of the money in the general account. He questioned what risks the Hartford is taking in that account, to get us a 4.5% return on the money.

Mr. Sisco questioned that in making this change then the general account would not be available?

Mr. Sisco stated concern on the participant loan program costs that he believed were being unfairly spread through all participants rather than being paid by the participants that use the service. (Page 13 under Minimum Requirements #4) (Audio 26:36)

Mr. O'Shaughnessy explained some usual practices of a participant loan program but stated that some administrators handle that issue differently.

Mr. Davie also had some hesitancy and concerns about the loan program

Mr. O'Shaughnessy recommended that everything you may want in the next 5-10 years be put in the contract at the beginning because you don't want to have to go back and add something to the contract 2 years from now because there will be a charge.

Mr. Reed noted that the topic of loan provision should be on the next agenda for discussion. Mr. Davie agreed.

RFP Page 17: Chair Reed noted that the wording needed to be changed, in the paragraph starting "A Notification of Intent to Award..." last sentence, to say "If contract negotiations cannot be concluded... upon written notice MAY negotiate...".(Audio 32:12)

Staff and committee had discussion on the weighting factors for the evaluation and scoring of the RFP (summary on memo, page 3 (Memo)). (Audio 32:35)

RFP Page 19-21: Mr. Davie noted the charts were broken down too much and would like to see them consolidated by combining categories (i.e. number of participants, assets etc.). He also stated that he didn't see a question regarding "how many other state plans they administer". (Audio 50:44)

RFP Page 23: Chair Reed asked for clarification on B-11 wording for "selecting participant service representatives". (Audio 54:02)

RFP Page 28: Chair Reed referenced B-59 regarding investment advice to participants and asked for an explanation on this question. (Audio 55:14)

Staff noted that our current providers cannot offer investment advice, but some providers do and some plans have added that service. Discussion was made between staff, the committee and Mr. O'Shaughnessy regarding this type of service to participants.

RFP Page 30: Chair Reed asked if it was necessary to have question C-5 if we have an open architecture. (Audio 57:40)

Mr. O'Shaughnessy gave an example of how this question might apply in a plan.

RFP Page 38: Chair Reed asked Mr. O'Shaughnessy to explain how a 'sliding scale fee structure based on plan asset levels' would work in regard to question D-7. (Audio 59:05)

Mr. O'Shaughnessy provided an explanation of how this process works.

Chair Reed shared a concern with the scoring process because it could be skewed by one member giving 90 points and someone else giving 60 points, it would skew the final number. He suggested having someone from Purchasing come in and discuss if there is a different model to use for scoring. (Audio 1:03:09)

Mr. Sisco cautioned having Purchasing involved and stated that as long as everyone is consistent from applicant to applicant it will balance out.

Staff spoke with Purchasing and they said they see scoring discrepancies all the time, but they have never seen it skew or change the final decision.

Mr. Davie questioned if the committee would have an opportunity to explain their scoring.

Staff stated it is required per Purchasing guidelines.

Mr. Davie noted that in going over the scores it may explain why someone scored a certain way and could change some people's minds, or their own.

Mr. Sisco requested that the point about the blackout be reiterated in the open meeting so everyone in public is on notice.

Ms. Parker stated that the weighting for the scores has to remain confidential and each proposal that's evaluated, but to accept the RFP as amended can be done in the open meeting. (Audio 1:07:11)

The closed meeting was adjourned at 1:04 PM.

Respectfully Submitted:

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Micah Salerno
Administrative Assistant

Approved by:

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Supporting Material

- Staff Memo
- Attachment A
- Attachment B
- Draft RFP