

Brian Sandoval
Governor



COMMITTEE
Scott Sisco, Chair
NDOT
Carlos Romo, Vice Chair
Retired
Brian Davie
LCB
Karen Oliver
GCB

Vacant

Carrie L. Parker
Deputy Attorney General

Nevada Public Employees' Deferred Compensation Program

DEFERRED COMPENSATION COMMITTEE MEETING MINUTES FOR

August 16, 2012

The second quarterly meeting of the Nevada Deferred Compensation Committee was held on Thursday, August 16, 2012, at 8:30 a.m. in Room 2135 of the Legislature Building, 401 S. Carson St., Carson City, NV. The meeting was held by videoconference from the Nevada Legislature Building to the Grant Sawyer Building, 555 E. Washington Avenue, Suite 4412E, Las Vegas, Nevada. Other attendees participated in person or by conference call.

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 MEMBERS:

Brian Davie
Karen Oliver
Vice Chair Carlos Romo
Chairman Scott Sisco

OTHERS PRESENT:

Bill Abramowicz, The Hartford
Stephanie Allen, Kaempfer Crowell
Lyra Ambrose, ING (by phone)
Jim Barnes
Bishop Bastien, ING
Dana Carvin, DHRM
Diane Duensing, Administrative Services
Kent Ervin, UNR
Scott Faris, Hyas Group
Mike Fleiner, Bidart & Ross
Lisa Gilardi, ING (by phone)
Michael Hackett, The Hartford
Jacob Honea, The Hartford
Harriet Jacobs,
Rob Joiner, RPEN
Mary Keating
Roberta Moore, Administrative Services
Jake O'Shaughnessy, Arnerich Massena

Carrie Parker, Deputy Attorney General
Frank Picarelli, Segal Rogerscasey
Steve Platt, ING
Todd Theroux, The Hartford (by phone)
Robert Trenerry, The Hartford
Tom Verducci, Great West
Krae Waller, Kelly Temp
Steve Watson

I. Committee

A. Call to Order/Roll Call

Vice Chair Brian Davie called the meeting of the Nevada Deferred Compensation to order at 8:30 a.m., on Thursday, August 16, 2012. In attendance were four members so a quorum was present. Vice Chair Davie explained he was heading the meeting because Chairman Rex Reed resigned his position due to accepting a teaching position out of state. The Committee verbalized their thanks for Chairman Reed's service and his outstanding job as Chair.

B. Public Comment

Mr. Bill Abramowicz with The Hartford thanked the Vice Chair and other Committee members for choosing Hartford to oversee the Plan. He was concerned about agenda item III-A regarding reconsideration of awarding the recordkeeper contract and wanted to provide comments when that agenda item came up.

Ms. Mary Keating commented that she was frustrated at the process the Committee had gone through. She believed the participants should have a choice of providers. Ms. Keating encouraged the Committee to consider agenda item III-A, to do some rule making and another Request for Proposal (RFP) if necessary.

Dr. Kent Ervin from UNR remarked on the current situation with NDC and referred to the letter he sent to Governor Sandoval. He was concerned with some of the decisions the Committee had made regarding the future of the Plan.

Mr. Bishop Bastien with ING spoke concerning agenda item I-C and wanted to clarify comments from participants stating that both Hartford and ING would have new owners in the next few months. Their actions were different from what The Hartford was doing – they were not selling their plans but their focus was to separate from ING International Group.

Ms. Stephanie Allen, Attorney on behalf of ING in reference to agenda item III-A asked that the Committee follow their Deputy Attorney General and former investment consultant's advice regarding NRS 333.335 which stated the Committee "shall award the contract based on the best interests of the State, as determined by the total scores assigned." Since ING received the highest score Ms. Allen believed they should be awarded the contract.

Rob Joiner representing Retired Public Employees of Nevada (RPEN) shared his concern of the long and difficult RFP process and stated if the Committee chose to stop the RFP process, RPEN would support extending the existing contracts for two years.

C. Member Items/Announcements and Correspondence

Committee may present emergent items. No action may be taken by the Committee. Any item requiring Committee action may be scheduled on a future Committee agenda. The Committee will review and may discuss correspondence sent or received by the Committee since the last regular meeting and may provide copies for the exhibit file.

Vice Chair Davie noted that the letters and emails relating to agenda item I-C were available on the Deferred Compensation website so they would not be reading each one. Based on the documents in their binder they saw that five respondents favored Hartford; while seven had concerns with the Committees' decisions and process. Vice Chair Davie also noted he received a phone call from Andy MacKay who was a former Committee member. Vice Chair Davie thanked several participants for the time they put into their thoughtful letters. Referring to letters and responses to Brenda Burt he felt some comments were not appropriate and were speaking for all Committee members. This Committee was statutorily required to make the best decision for the people. This statement was not an accurate account of his motives.

Dr. Romo stated that he agreed with the summary as they all got the same emails. The Alliance Partners were not mentioned but the Committee did have a fiduciary duty to them as well and they had received some long detailed letters from them. The Committee needed all kinds of feedback and it was incumbent upon them to do what was in the best interest of the participants.

Mr. Sisco noted they received a few letters late yesterday. The Committee still had a lot of work to do to in regard to communicating with the participants.

Ms. Oliver noted as a Committee member she always had the participants first and foremost in her mind when making decisions. She would work hard for all participants and feedback was appreciated. ([Correspondence](#))

Dr. Carlos Romo made a formal motion to recognize the valuable service Rex Reed gave to the Committee, seconded by Karen Oliver.

DAG Parker remarked it was a very nice motion but was not on the agenda so no motion was needed.

D. Special Election of Chair and Vice Chair.

Vice Chair Brian Davie stated he wanted to take himself out of the running for Chair or Vice Chair and let new Committee members take responsibility and work with staff. He asked for nominations from the Committee for candidates for Chair of the committee.

Motion made by Dr. Carlos Romo to nominate Mr. Scott Sisco as Chair, seconded by Ms. Karen Oliver. Motion carried 3 – 1, with Vice Chair Davie voting no.

Motion made by Chairman Scott Sisco to nominate Dr. Carlos Romo as Vice Chair, seconded by Ms. Karen Oliver. Motion carried unanimously.

- E. Approval of the minutes from the closed meeting on February 29, 2012.

Mr. Davie stated that since he put together the agenda he could explain how any item came about, if needed.

Chair Sisco commented that in the past the Chairman's position was more formal in asking questions, but he intended to not be so formal.

Chair Sisco asked for approval of minutes of February 29, 2012.

Motion made by Mr. Brian Davie to approve the minutes from the February 29, 2012 closed meeting, seconded by Vice Chair Carlos Romo.

Chairman Sisco noted on page two in the fourth paragraph from the bottom that comments from staff regarding the General Account had created a lot of confusion about what the intention of the RFP was which resulted in a lot of questions about the continuation of the General Account.

Motion carried unanimously.

- F. Discussion and possible action relating to transcripts for bringing minutes up to date.

Mr. Davie put this on the agenda to get minutes up to date since there was only one part-time staff member and there had been a lot of meetings. It was recommended they use transcription services with an estimate of \$400 per transcript and this would get the minutes done and posted to the website.

Chair Sisco stated he would like to wait to check on the price because that was a lot of money. Chair wanted to defer this item and discuss with Micah Salerno, the administrative assistant.

- G. Approval of Meeting Dates and discussion of attendance at NAGDCA Annual Meeting.

Chair Sisco asked Mr. Davie to explain what this conference was.

Mr. Davie remarked no one had been selected to go to the NAGDCA meeting but he thought some members might want to attend so included it on the agenda.

Chair Sisco commented that since the majority of Committee members were new and they may get another new member in the near future it would be valuable to have some members attend the conference. He asked who could make that time available for travel to the NAGDCA meeting.

Vice Chair Romo was not available but recommended that members should attend.

Ms. Oliver stated she would like to attend the meeting if appropriate.

Chair Sisco felt in his new position as Chairman it would benefit him to attend.

Motion made by Vice Chair Carlos Romo to approve sending up to two members to attend the NAGDCA conference in San Diego, seconded by Ms. Karen Oliver. Motion carried 3 – 1 with Mr. Davie voting no.

II. Investment Report

A. Quarterly Investment Offering Review by Arnerich Massena

Arnerich Massena Representative Mr. Jake O’Shaughnessy presented the quarterly performance review of the Deferred Compensation Program investment options for the period ending June 30, 2012. ([2Q Performance Review](#))

Mr. O’Shaughnessy noted on page 1 the combined providers had total assets of \$566.2 million as of June 2012 which was a decrease of \$5.8 million or 1.7 percent. Individually Hartford totaled \$463.3 million, decreasing \$10.8 million or 2.3 percent and ING had \$102.9 million with an increase of \$1.0 million or 1.0 percent.

Mr. Davie commented on the fact that the total Plan assets decreased and Hartford assets decreased but ING assets actually increased and questioned if there was any reasoning for that.

Mr. O’Shaughnessy remarked they did not do attribution but there could be several driving factors: the difference in investment mix, were there flows from Hartford to ING, were ING participants contributing more, or the mix of assets in Hartford performed worse than the assets in ING.

Mr. Davie remarked that in the future staff needed to look at these anomalies so they understood what was going on with the entire program.

Mr. O’Shaughnessy discussed the Watch List for the Committee. ([Performance Review Pages 1-16](#))

B. Fund Watch List approval.

Motion made by Vice Chair Carlos Romo to add Neuberger Berman and Victory Diversified to the Fund Watch List, seconded by Ms. Karen Oliver. Motion carried unanimously.

American Funds Growth Fund of America	Remain on Watch
Neuberger Berman Socially Responsive	Add to Watch
Victory Diversified Stock	Add to Watch
Hartford MidCap HLS	Remain on Watch
Munder Mid-Cap Core Growth Fund	Remain on Watch
Keeley Small Cap Value Fund	Remain on Watch
Mutual Global Discovery Fund	Remain on Watch
Hartford General Account	Remain on Watch

Mr. O'Shaughnessy spoke in regard to replacing the Lazard Mid Cap Fund and gave a presentation on the Mid Cap Core Manager Search. ([Mid Cap Manager Search](#))

Mr. O'Shaughnessy explained that ING and Hartford both had arrangements with fund companies on two different levels and Lazard was on the ING platform. With the uncertainty of the participants continuing with ING he found a fund that could be managed by either ING or The Hartford.

Chair Sisco asked that they delay this item until later in the meeting.

Mr. O'Shaughnessy commented that they had done their research and recommended the Committee replace the Lazard fund with the Hartford Midcap HLS fund as it was a great performing mid cap fund.

Chair Sisco asked how many participants in ING would be affected by this.

Mr. O'Shaughnessy stated he did not have those statistics with him. The Committee would have to request ING to pursue the funding agreement to get the Hartford Mid Cap HLS on their platform and then the Plan would have the same fund with both vendors so if they consolidated down to one vendor the participants wouldn't feel any impact with this fund change.

Mr. O'Shaughnessy through input from Mr. Bastien stated that 220 participants were in the Lazard fund.

Chair Sisco confirmed that the Committee needed to request ING to finalize an agreement to add this fund to their platform.

Mr. O'Shaughnessy understood that ING had a relationship with The Hartford's funding group with other Hartford funds available so they recommended having ING request to add this fund to their platform.

Mr. Davie noted that the Hartford Midcap HLS fund was on the current watch list and asked why they should replace one watch list fund with another watch list fund.

Mr. O'Shaughnessy stated that Hartford HLS was on watch due to a change in portfolio leadership but they were confident the recent performance was strong and that Hartford was dedicated to that mid cap space.

**Motion made by Vice Chair Carlos Romo to replace the Lazard US Mid Cap fund with the Hartford Midcap HLS fund, seconded by Ms. Karen Oliver.
Motion carried unanimously.**

Chair Sisco thanked Mr. O'Shaughnessy for his time and the decision his company made.

Mr. O'Shaughnessy stated he and his company did appreciate the opportunity to serve the Committee and were always available by phone.

The rest of the Committee thanked Mr. O'Shaughnessy for his professionalism, input, for providing documents to the Committee and stated he had done a very good job.

III. Administration

Chair Sisco noted they would take the next item out of order due to Mr. Long and Ms. Carvin's schedule.

C. Discussion and action on the job description, and the recruiting and hiring process, for the position of Deferred Compensation Coordinator.

Chair Sisco commented on his part in the development of the job description and asked the Committee to make a compromise in using the list he created along with clarifications from Mr. Long and Ms. Carvin, setting the qualifications at a Management Analyst II level and approving it.

Mr. Davie questioned the pay grade of a Management Analyst II.

Mr. Long stated it started at \$44,411 and topped out at \$66,001.

Vice Chair Romo asked what the professional experience would include.

Mr. Long answered that the basic minimum qualifications for a Management Analyst II were a Bachelors Degree and 2 years professional experience.

Motion made by Chairman Scott Sisco move the job description qualification up to the pay scale of a Management Analyst II level and once approved, ask Personnel to make the changes. The motion was seconded by Vice Chair Carlos Romo.

Mr. Davie noted he would not support the motion because he believed the Program needed professional management which was approved by the Legislature and the current job description did not include anything for professional management.

Ms. Oliver questioned if the motion would include the questions the Chair had written.

Chair Sisco stated it would include the questions.

Motion carried, 3-1 with Mr. Davie voting no.

Mr. Long commented on changes that would be made to the job description.

The Committee and Mr. Long continued their discussion on changes to the job description, requirements of the application, where the announcement would be advertised and the timeline of the job announcement.

Mr. Long recommended they advertise the job announcement for three weeks on the sites they had available to them.

Motion made by Vice Chair Carlos Romo to accept the recommendations by the Department of Personnel, seconded by Ms. Karen Oliver. Motion carried 3-1 with Mr. Davie voting no.

Chair Sisco thanked Mr. Long and Ms. Carvin for their time.

Chair Sisco commented they would now go back to item III. A. and noted this had been a very difficult time for the Committee. He gave an explanation of past issues and a description of why this item was on the agenda.

- A. Reconsideration and discussion of votes taken relative to the awarding of the record keeper contract based on the current RFP.

Discussion and action may include explanations of scoring, canceling the current notice of intent to award to the Hartford and withdrawing the RFP, extension of the current record keeper contracts with ING and the Hartford, adoption of a plan to re-issue an RFP, and/or other possible options that may be derived from the Committee's discussion.

Motion made by Chairman Scott Sisco to cancel the intent to award to Hartford, withdraw the RFP and instruct the investment consultant to attempt to negotiate a two year extension with both Hartford and ING so that ultimately new regulations can be promulgated and a new RFP issued to match those updated regulations. The direction for the contract negotiation would be first choice to extend the current terms of the contract as they existed, secondly if that was not successful, negotiate a contract extension based on the terms bid in the RFP, or thirdly, a combination of current terms and proposals provided. Motion seconded by Vice Chair Carlos Romo.

Vice Chair Romo asked for input from their deputy attorney regarding the legalities of the motion regarding NRS 287 and going out to bid every five years. He asked if they could keep the same providers.

DAG Parker quoted NRS 287.330, subsection 3 which said:

3. The Committee and its individual members are not liable for any decision relating to investments if the Committee has:

(c) Discharged its duties regarding the decision:

(1) Solely in the interest of the participants in the Program;

and

(2) With the care, skill, prudence and diligence that, under the circumstances existing at the time of the decision, a prudent person who is familiar with similar investments would use while acting in a similar capacity...

(e) Solicited proposals from qualified providers of plans at least once every 5 years.

DAG Parker indicated if the Committee believed there were problems with the RFP process it would be within this statute to withdraw the RFP. She believed the Committee would be able to withstand a challenge in this context and if the Committee were

inclined to withdraw the RFP she encouraged the Committee to explain why it was in the best interest of the participants.

Vice Chair Romo believed it was important to do what was best for the participants and noted he had invested a lot of time in the RFP process and felt he had made the best decision for the participants.

Mr. Davie noted he didn't agree with some of Chair Sisco's remarks about the issues with the RFP and he continued to believe the RFP process was not flawed. Purchasing had said the process was valid and if they had followed the scoring process they would be in a different place now. If they cancelled the RFP they were throwing away \$75,000 which was not saving participants' money. There were some valid questions raised in the letters they received and Mr. Davie felt they should hear from those people as well as get further advice from their investment consultant and attorney.

Ms. Oliver commented it had been a long arduous process but they had gotten through it and wanted to see the Committee move forward. She also spent a great deal of time reading and evaluating the RFP and could back up her scores based on cost saving to participants as well as 10-15 other factors.

Vice Chair Romo referencing NRS 287.325 asked if they would be in compliance if they extended the current contracts without an RFP.

DAG Parker stated that according to the SAM manual, an amendment did not have to go through RFP and they could extend the contracts without an RFP but they would need to be approved by the Board of Examiners. It was up to the Committee to choose a one or two year extension but she advised extending only as long as necessary to accomplish what they needed, keeping in mind the RFP proposals were all better than what the Plan had currently.

Mr. Bastien with ING commented that their letter stood as is and they would consider their actions after the vote. ([Supporting Material](#))

Chair Sisco asked for clarification from counsel about which statute this fell under.

DAG Parker stated the Purchasing statute was defined by utilization of general funds and this Plan was funded by participant fees so there was a question if this Committee and Plan were bound by Purchasing statute NRS 333; however the RFP explicitly stated the contract would be awarded according to NRS 333.

Ms. Allen with Kaempfer Crowell reiterated what DAG Parker said that the RFP was issued pursuant to NRS 333 and it was applicable to this case.

A discussion ensued with Mr. Bastien and the Committee regarding the scoring process and selection of the finalist.

Mr. Abramowicz with The Hartford commented on the process the Committee went through and the decision they had made and The Hartford felt they won the bid fairly. If

the Committee decided to withdraw the RFP they wouldn't be happy but would stand behind the participants and Plan.

Vice Chair Romo and Mr. Davie asked Mr. Abramowicz about the changes with The Hartford during the sale and if they would be willing to do a contract extension.

Mr. Abramowicz, Mr. Trenerry and the Committee continued their conversation regarding changes with The Hartford and a possible contract extension.

Chair Sisco asked for Mr. O'Shaughnessy to give the Committee a recommendation on the motion if they should go forward or start over.

Mr. O'Shaughnessy noted, in his opinion, based on those two options, he would recommend to continue with the decision the Committee made at the July 18 meeting in light of the optimal pricing for the participants.

DAG Parker spoke about the appeals process if that were to take place.

Mr. Davie and Vice Chair Romo questioned Mr. O'Shaughnessy about his recommendations for the Committee.

Mr. O'Shaughnessy noted it was not his role to make a recommendation of who to choose but to design the process to go through the RFP and Arnerich Massena stood behind their process.

Chair Sisco opened up for public comment on this item.

Mr. Davie asked Great West to enter their concerns for the record.

Ms. Harriet Jacobs from Great West asked the Committee for a response to their letter.

Ms. Oliver noted that the letter referred to whether Hartford qualified as a bidder and she had made her decision with a clear understanding that Hartford did qualify.

Vice Chair Romo believed Hartford was qualified and they followed the advice of their legal counsel and executive officer.

Mr. Davie noted that the executive officer sent out verification letters to confirm that Hartford did meet the qualifications.

Ms. Jacobs asked if that was done independently and if the information was available to the public.

DAG Parker noted independent verification was done but she wasn't sure if it was made available to the public since it was part of the RFP.

Mr. Tom Verducci with Great West did not believe that Hartford clients State of Iowa and Clark County met the qualifications set forth in the RFP.

Chair Sisco commented that they were provided independent verification and they could move forward.

Dr. Kent Ervin noted the Committee gave themselves the opportunity to reassess some of the votes of the last Committee meeting. If they followed the current motion it gave the participants the old plan and ignored the new plans with better pricing. He suggested they go back to fix the RFP and rescore their ratings according to a single provider.

Chair Sisco noted the Committee would have a closed session for legal counsel. DAG Parker stated under open meeting law NRS 241.015 the closed meeting was for advice from counsel related to potential litigation.

The meeting was closed at 11:38 a.m.

Chair Sisco reopened the regular meeting at 12:09 p.m. and noted there was a motion and second on the floor and asked for additional discussion or debate.

Mr. Davie asked the motion to be restated.

Repeat of motion:

Motion made by Chairman Scott Sisco to cancel the intent to award to Hartford, withdraw the RFP and instruct the investment consultant to attempt to negotiate a two- year extension with both Hartford and ING so that ultimately new regulations can be promulgated and a new RFP issued to match those updated regulations. The direction for the contract negotiation would be first choice to extend the current terms of the contract as they existed, secondly if that was not successful, negotiate a contract extension based on the terms bid in the RFP, or thirdly, a combination of current terms and proposals provided. Motion seconded by Vice Chair Carlos Romo.

Vice Chair Romo commented that he seconded the motion but wanted to change it to "a maximum of two years" to get this done as soon as possible.

Chair Sisco agreed to change the wording to "a maximum of 2 years" for the contract extension.

Mr. Davie explained he would not vote for this motion because he believed in the RFP process and they had already paid the \$75,000 fee and would end up paying that again if they went through the process another time.

Motion died with a 2-2 vote.

Chair Sisco stated he would do everything he could to make this successful in moving the Program forward and encouraged all the Committee members to do the same regardless of how they voted or felt.

- B. Designation of person(s) to conduct contract negotiations, as appropriate.

Motion made by Vice Chair Carlos Romo to nominate Chairman Sisco to oversee the contract negotiations, seconded by Ms. Karen Oliver. Motion carried unanimously.

- D. Discussion and action concerning the hiring of an investment consultant on a temporary, emergency short-term basis, and subsequently through an RFP process for a longer-term basis.

Chair Sisco asked each of the bidders for the temporary investment consultant to give a ten minute presentation.

DAG Parker suggested the Committee approve the solicitation Chairman Sisco had sent out for the temporary contract.

Motion made by Vice Chair Carlos Romo to approve the solicitation for temporary investment consultant, seconded by Ms. Karen Oliver. Motion carried unanimously.

Mr. Michael Fleiner and Ms. Annette Bidart with Bidart & Ross presented the Committee with information about their company and bid.

Chair Sisco questioned if the fee structure was based on the existing consultant or something else.

Mr. Fleiner stated their fee structure was based on the bid they submitted for this Plan in 2011 for \$80,000 per year for all services including RFP's. Prorated on a monthly basis the fee would be \$6,666 per month.

Chair Sisco confirmed Bidart & Ross would not charge a separate fee to finish the negotiations with Hartford.

Mr. Fleiner stated the fee was a flat rate and included everything.

Vice Chair Romo asked how long their firm had been in business.

Ms. Bidart noted they incorporated in 1989 and Mr. Fleiner joined the firm in 1991.

Vice Chair Romo noted some of the clients that Bidart & Ross served and asked if the majority of their plans were 457, 403b, or something else.

Mr. Fleiner commented that the majority of their assets were defined contribution structures including 457 plans, 401k plans, 403b plans but they also did consulting work to defined benefit pension plans as well.

Mr. Fleiner provided their proposal to the Committee.

Vice Chair Romo asked where their main office was located and how many staff they had.

Mr. Fleiner noted their office was in Reno, Nevada and they had three full time consultants and two analysts.

Vice Chair Romo inquired about their technological capabilities.

Mr. Fleiner remarked they had access to all the databases they needed to examine and score investment managers. They conducted over 250 manager meetings per year, face to face, including all of the managers their clients use. They were one of the few firms in the country that could create a customized product for their clients which was designed to meet the informational needs of their clients. The reports were designed around each client's investment policy and were quite unique. They had a watch guarded and satisfactory status scoring method including past performance, risk factors, and stability of firms, which was a proprietary matrix they used to identify firms that may need further examination. It was a very technological business and a people business as well.

Ms. Bidart added that with their 25 years of experience and meeting with managers face to face, she believed they had probably met with 99 percent of the managers relating to the Nevada Plan.

Chair Sisco asked how they would go about proceeding with the Plan after hearing the Committees decision to renegotiate the Hartford contract.

Ms. Bidart remarked they would use their 25 years of experience. They had done RFPs, reviewed RFPs, scored RFPs, negotiated contracts and negotiated fees. They had the staff, technology and capability to do the reporting that was necessary for next quarter and they would use the resources available to them.

Chair Sisco questioned if time constraints and moving funds would be an added challenge.

Mr. Fleiner commented that they covered 95 percent of the funds in the Plan and they had a relationship with both Hartford and ING and wouldn't have a problem with recordkeeping. Contract negotiations would include two consultants working together to get the Plan to the finish line at the end of the year.

Mr. Davie questioned if they were co-fiduciaries.

Mr. Fleiner stated they were and always had been.

Mr. Davie asked for examples of their larger 457 plans.

Mr. Fleiner responded they managed the Washoe County Plan with \$107 million assets and about 7,000 participants; Fire & Police Pension Association of Colorado was about \$350 million with around 30,000 participants. They also had a number of 401k plans above \$100 million.

Mr. Davie inquired as to how many recordkeepers they worked with.

Mr. Fleiner responded they worked with all of them including both of the Plan's current recordkeepers.

Mr. Davie remarked that the previous investment consultant terminated their contract because the Committee did not listen to their advice.

Mr. Fleiner could not believe the Committee paid \$75,000 for a non-recommendation RFP process. They would provide objective resources and due-diligence to make a prudent decision, but ultimately the choice would be up to the Committee. They would provide the Committee with the important information but they had never resigned an account.

Mr. Davie asked if the Committee consistently ignored their advice would they have a problem with that.

Mr. Fleiner answered they would not have a problem with that, but would be surprised if they weren't all on the same page and had never had that experience.

Chair Sisco asked in bids for this type of product what the ratio was for those locked down by a number system versus those decided by a Committee or governing body.

Mr. Fleiner responded that the process was subjective but some things you could quantify like pricing, service levels, number of staff, back office capabilities etc. The scoring matrix would get you to the top tier of providers that would best meet your needs. He had never had a client hire a vendor strictly off of a score and they would ensure any future RFPs were built so they could come under any scrutiny and be confident that the process that was in the best interest of those it was trying to serve.

Chair Sisco thanked them for their bid on such short notice and the Committee appreciated their effort.

Mr. Davie asked for guidance from their deputy attorney general on the guidelines of the proposals.

DAG Parker stated that informal solicitations could be done up to \$25,000 and anything above that would require an RFP process.

Mr. Frank Picarelli with Segal Rogerscasey presented the Committee with information about the company and their bid noting he had previously served as the state's investment consultant and went through two RFP proposals with Nevada. He commented that Segal Company had been around since 1939, Segal Advisors had been around since 1969 and they acquired Rogerscasey in April of this year. They had 1,000 employees worldwide and were one of the top 10 U.S. benefit consultants and they added compliance resources and regulatory resources as part of their services with no additional fees. Some of their clients included City of Chicago, Clark County in Nevada, State of Maryland plus many others. Mr. Picarelli stated they had extensive experience in transitions and would work with the Committee and participants to make informed decisions.

Chair Sisco commented they did not have an executive director anymore but would have a coordinator or administrator and inquired how he would be able to work with an administrator who was not an expert in the field.

Mr. Picarelli believed the administrator role was to assist the Committee and the investment consultant handled the investment aspect. They would be willing to provide training for the new coordinator if needed.

Vice Chair Romo asked if transportation was included in the bid.

Mr. Picarelli noted the fee this year would be \$85,000 but going forward with only having one provider the fee would be \$60,000. Because this was a short term contract the fee would be one-twelfth of \$85,000 per month and included travel and he committed to be at all the meetings.

Mr. Davie questioned if Mr. Picarelli was a co-fiduciary and wondered how he would respond if the Committee ignored his advice.

Mr. Picarelli indicated he was a co-fiduciary. He would provide the Committee with all the necessary information and felt it was the Committee's discretion on the decisions they made for the Plan. They would support the Committee and would not leave.

Mr. Davie asked why Segal did not bid during the last RFP for investment consultant.

Mr. Picarelli believed the Plan was going in a different direction and needed to break ties and have fresh eyes to look at things.

Chair Sisco thanked Mr. Picarelli for coming.

Mr. Scott Faris and Mr. Greg Settle with Hyas Group from Portland, Oregon presented the Committee with information about their company. They highlighted their backgrounds in the business and explained who would be working for the Plan. They stated that 84 percent of their business was government based clients and noted their business was solely consulting with retirement plans. A flat fee of \$40,000 for the interim contract was their bid which included a lot of transition support, reviewing all contracts and agreements, communication, changes in summary plan documents and performance reporting.

Chair Sisco commented on the change in staff from an executive director to an administrator and asked if they saw that as a challenge or problem.

Mr. Faris stated they saw all types of levels of administrators. They felt the administrator would report to the Committee but it was their job to make sure the Committee was informed on the financial side and with what was happening in the market place. They also noted they were a fiduciary.

Vice Chair Romo inquired if they had experience in taking over in the middle of an RFP process.

Mr. Faris noted it was a little unusual to pick up in the middle of an RFP but they were not intimidated to address the remaining tasks and after hearing the discussion during the meeting believed they had a grasp of the issues the Plan was facing.

Vice Chair Romo asked if their fee included travel and if someone would be attending the meetings in person.

Mr. Faris stated it did include travel and they would have someone at all meetings.

Vice Chair Romo questioned what kind of technological capabilities they had access to.

Mr. Faris commented they had great resources and subscribed to Morningstar, they used Investor Force for reporting purposes and did a lot of custom reporting.

Mr. Faris concluded they felt they were the best fit with strong RFP experience and knowledge of The Hartford and ING and that they specialized in the public sector.

Mr. Davie commented on their legal experience in contract negotiations and asked for an example of what kind of language to put in a contract to protect participants.

Mr. Faris stated the most favored nation status was important because you would not want to be at a disadvantage where other contracts were more attractive than yours.

Mr. Settle remarked that contracts should be written with the service levels mandated and the more precise you made them the easier they were to enforce; including service delivery levels for participants, how often people would be there, what parts of the state organization they were going to service, number of hours, etc. The actual contract could contain things to protect you during the transition.

Chair Sisco thanked them for their time.

Chair Sisco allowed for public comment on this item.

No public comment made.

Chair Sisco gave a recap of fees from the presenters and noted that in looking at all three they offered great skill sets, background and experience. He tended to lean toward Segal because they already had knowledge of the system.

Mr. Davie questioned if they were over the limit for the contract, financially.

DAG Parker did have some concern because of the \$25,000 threshold for an RFP for four months.

Chair Sisco noted it might come down to when the consultant could complete the contract negotiations so there was some flexibility in the timeframe.

Mr. Davie stated it was tough to make a quick decision but his tendency was to go with Segal because of their experience and background. He liked a lot of things about Hyas

including performance fees and their focus on a communication plan. The Plan required an experienced company to get them through but he had a comfort level with Segal based on their previous experience and what they brought to the table.

Ms. Oliver commented that she liked that Bidart & Ross was local but agreed that Segal seemed to have a tremendous amount of experience and that was what they needed.

Vice Chair Romo believed a local company like Bidart & Ross could do as well as a national company but would go with what the Committee decided.

Chair Sisco requested Segal to come back to the table and asked if they would be able to negotiate a contract under \$25,000.

Mr. Picarelli stated they would comply with the requirements to take them through the end of the year.

Motion made by Mr. Brian Davie to go with Segal Rogerscasey as the investment consultant through the end of 2012 with the monetary constraints they have, seconded by Ms. Karen Oliver. Motion carried 3-1 with Vice Chair Romo voting no.

Chair Sisco stated that they would need a motion for a point of contact for this contract.

DAG Parker noted the Committee would have to meet to approve the contract.

Chair Sisco asked if they could approve the contract at that time since they knew the dollar amount and scope of work.

DAG Parker felt it would be better to meet and vote on the contract.

Mr. Davie believed it was important to look at the language before they voted.

Motion made by Vice Chair Carlos Romo to have Chairman Scott Sisco as the point of contact for negotiation of the contract for investment consultant, seconded by Mr. Brian Davie. Motion carried unanimously.

Mr. Picarelli thanked the Committee for awarding him the contract and was looking forward to working on this assignment.

- E. Discussion and possible action to retain or eliminate the loan provision for the Nevada Deferred Compensation Program.

Mr. Davie wanted this item on the agenda because of a previous decision to go with a loan provision but he would prefer to not add it at this time. It could require additional staff resources and with the current staff structure it would be an added burden that might not be handled.

Chair Sisco agreed with Mr. Davie and recommended to keep it on the agenda and revisit it after contract negotiations.

Mr. Davie asked if the investment consultant could provide feedback at the next meeting to help them make a better decision.

Mr. Picarelli noted he could provide an overview at the meeting of how the process worked and what the experience had been with other clients.

Vice Chair Romo questioned if the costs of the loan provision would be paid by the people using the provision.

Chair Sisco commented they could take a motion and remove the loan provision before contract negotiations.

Ms. Oliver did not like the idea of removing the item but would like to put it on hold and revisit it later.

Chair Sisco stated they would keep it on the agenda.

F. Discussion and approval of FY 14-15 Biennial Budget and Performance Indicators.

DAG Parker reported on the Tort Claim coverage for Committee members which wasn't on the budget but would cost \$175.56 per person for a total of \$1053.36 for five members for coverage from July 1, 2012 to June 30, 2013.

Chair Sisco remarked the Committee voted to send two members to the NAGDCA conference and requested money to be assigned for that purpose.

The Committee analyzed and discussed the budget with input from Ms. Roberta Moore from Administrative Services.

Ms. Moore stated the computers were purchased in 2008 and had not been replaced.

Mr. Davie noted the new staff person would need a new computer as well as a new one for the administrative assistant so it would be a good idea to put money in the budget for those.

Chair Sisco agreed they should budget for one computer, one laptop and docking station with Microsoft Office.

Ms. Moore noted they should build up the non-state printing services and toner cartridge balances.

Discussion continued with the Committee, Ms. Moore and Ms. Diane Duensing from Administrative Services regarding the budget.

Ms. Moore asked about personnel and money budgeted for that.

Chair Sisco noted they would be hiring a new staff member and asked to leave those items in place.

Motion made by Ms. Karen Oliver to accept the direction given to Administrative Services regarding the budget, seconded by Vice Chair Carlos Romo. Motion carried unanimously.

- G. Discussion and possible action on changes to the Program's regulations and administrative documents, including compliance with the Internal Revenue Code regarding non-spousal beneficiaries.

Chair Sisco did not believe this was the right time to discuss this item and wanted to delay it until they had the planning discussion and meeting on program operations.

Mr. Davie stated they had received a formal complaint from a non-spousal beneficiary and felt they should adopt a motion to amend their scope of work and Plan document to make it clear that non-spousal beneficiaries needed to be handled with the lifetime option so there wasn't a repeat of this situation. They could not just rely on Hartford in their response because there might have been a breach of contract and the Committee should do an investigation to make sure Hartford was handling these correctly.

Chair Sisco noted he compared the first complaint with the second complaint and the second letter addressed other issues. They only received the second letter this week so he had a problem talking about this when the stories were different from the first letter to the second.

Vice Chair Romo was concerned because they had been dealing with this for the last few meetings and now they received details they had never seen before.

Mr. Trenerry believed there were two separate issues: first was the non-spousal beneficiary for the plan and second was the individual issue with this non-spousal beneficiary. He stated the letter was received by fax yesterday in the Las Vegas office and they contacted him immediately because of the seriousness of the letter. They were taking this matter very seriously; it had been logged as a complaint and was being followed up by The Hartford. Since this was an individual situation he assumed the Committee would prefer to handle this on an individual basis rather than discuss it in a meeting.

Chair Sisco thought they dealt with this before and was wondering if these were new items in this letter.

Mr. Trenerry believed these were new items.

Vice Chair Romo felt if this had been so serious before it would have gone to the Governor so he was a little suspicious about the situation.

Mr. Trenerry notified the Committee the letter was filed as a formal complaint which had to be addressed within 24 hours but this was the first time they had received anything that would be classified as a formal complaint.

Chair Sisco asked Mr. Trenerry to keep them informed.

Mr. Trenerry indicated he would keep them up to date. Additionally, he added the non-spousal beneficiary issue was one of the most technical aspects of 457 plans and could be extremely confusing. They would work with the investment consultant and with ING so everyone was on the same page in the best interest of the participants.

Mr. Davie inquired as to what the complexities were because there were IRS codes addressing this situation. Whether the letters were the same or not there were issues that needed to be resolved. The IRS codes were clear and there seemed to have been a violation.

Mr. Trenerry commented they would be happy to look at this with legal but what may appear to be very simple was not.

Mr. Davie stated the IRS Code said there were two ways to deal with beneficiaries: the five- year payout or the lifetime expectancy. He understood if the plan document didn't say anything they go with the Code which is the lifetime expectancy, because that was in the best interest of the participant.

DAG Parker noted the Internal Revenue Code was very complex but there was a publication from the IRS about minimum distribution requirements under 401(a)(9) which deals with non-spousal beneficiaries that said if the Plan did not contain a provision that specified the distribution method after an employee died, distribution must be made as follows: It said the life expectancy rule would apply if the employee had designated a beneficiary and the five-year rule would apply if the employee had no designated beneficiary. In this case it was her understanding that there was a designated beneficiary. ING's policy required it to default to the life expectancy method which is in accordance with IRS. The Plan document and scope of work should be changed to reflect the life expectancy rule.

Chair Sisco commented this was new to him and his concern was they were being asked to make a change to their Plan document but he would be more comfortable waiting until their investment consultant was on board. He felt he didn't understand this well enough to make a decision at this time.

Mr. Trenerry added that their compliance department told them it wasn't quite as clear as they might have thought. A meeting could be held with Hartford, DAG Parker and the investment consultant to go over what was in the Plan document and the way it was being administered by the providers to see if they were in compliance.

DAG Parker clarified that the default kicked in if the beneficiary did not choose. So the issue was what would be the default if the beneficiary did not make a choice.

Mr. Davie believed they should follow up on this and have the investment consultant and Hartford come up with a formal response after reviewing Hartford's information.

Mr. Trenerry agreed with Mr. Davie and encouraged them to do just that.

Chair Sisco stated they would continue to monitor this and looked forward to having legal counsel, the investment consultant, and Hartford check into what changes were needed in the Plan document and report back.

Mr. Trenerry stated this was a very unusual circumstance and the first time he was aware of a non-spousal beneficiary issue.

Mr. Davie noted he would like to be involved with this but as Ms. Oliver had a background in investigations he thought it would be helpful for her to participate.

Motion made by Mr. Brian Davie to have Ms. Karen Oliver participate in the non-spousal beneficiary issue with The Hartford, seconded by Chairman Scott Sisco. Motion carried unanimously.

- H. Discussion and possible action on a Communications Plan for advising participants about the Committee's actions and Program changes.

Mr. Davie commented there was a lot of bad information or misinformation about what the Committee had or had not been doing and they needed to develop a good communication plan to let the participants know what direction the Committee was taking.

Chair Sisco agreed this was a high priority and noted as soon as they hired a staff member they should get a newsletter out announcing the new contract with Hartford, and introducing the new Committee member and staff person.

Vice Chair Romo commented that the newsletter should be sent by mail to the retirees because they didn't all have email accounts.

IV. Comments/Updates

- A. Contractors/Record Keepers
- B. Deputy Attorney General

DAG Parker stated that due to the 2-2 split on the motion for the RFP she wanted to bring to attention to the Committee that according to NAC 333.200:

1. A person may petition the Administrator to issue a declaratory order or an advisory opinion if the person has a direct or tangible interest in the applicability of a statutory provision, regulation of the Administrator or decision of the Administrator or Division.

It would be up to the Committee to decide if they wanted to submit a petition to get a written opinion in the 30 day time period before an appeal might be filed.

Chair Sisco stated he was concerned if they fell under NRS 333 or not and was not sure they should go down that road.

C. Committee Members

Mr. Davie questioned the need to set up another meeting.

Chair Sisco commented they should see what happened with personnel and the investment consultant contract. They had the option to do a phone vote on the consultant contract and he wanted to see them get back on track with quarterly meetings.

DAG Parker noted they would need to come forward with the Hartford contract so they could take it to the Board of Examiners.

Vice Chair Romo wanted the participants and the providers to know that he appreciated the opportunity to work through this and he was doing his best to work for the benefit of the participants.

D. Staff

No comment.

E. Public Comment

No public comment.

F. Adjournment

Motion made by Vice Chair Carlos Romo and seconded by Mr. Brian Davie to adjourn the meeting. Motion carried unanimously.

Meeting was adjourned at 3:06 p.m.

Respectfully Submitted

Micah Salerno
Administrative Assistant