

Brian Sandoval
Governor

Reba Coombs
Program Coordinator



**Nevada Public Employees'
Deferred Compensation Program**

COMMITTEE
Scott Sisco, Chair
NDOT
Carlos Romo, Vice Chair
Retired
Brian L. Davie
LCB
Karen Oliver
GCB
Steve C. Woodbury
DTCA

Shane Chesney
Senior Deputy Attorney General

**DEFERRED COMPENSATION COMMITTEE
MEETING MINUTES FOR**

November 2, 2012

The special meeting of the Deferred Compensation Committee was held on Friday, November 2, 2012 at 10:00 a.m. in room 3135 of the Legislature Building, 401 S. Carson St., Carson City, Nevada. The meeting was held by videoconference from the Nevada Legislature Building to the Grant Sawyer Building, 555 E. Washington Ave., Suite 4412 E, 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 (by videoconference)
Karen Oliver
Steve Woodbury
Vice Chair Carlos Romo
Chair Scott Sisco

OTHERS PRESENT:

Jim Barnes
Bishop Bastien, ING (by phone)
Shane Chesney, Senior Deputy Attorney General
Reba Coombs, NDC Program Coordinator
Michael Hackett, The Hartford
Terri Laird, RPEN
Jeff Morrow, The Hartford (by phone)
Carrie Parker, Deputy Attorney General
Frank Picarelli, Segal Rogerscasey (by phone)
Steve Platt, ING
Micah Salerno, NDC Admin Assistant
Todd Theroux, The Hartford (by phone)
Robert Trenerry, The Hartford
Steve Watson

1. Call to Order/Roll Call

Chair Scott Sisco called the meeting of the Nevada Deferred Compensation Committee to order at 10:00 a.m., on Friday, November 2, 2012. Roll was taken and it was determined a quorum was present. Ms. Reba Coombs indicated the meeting had been properly noticed and posted.

2. Public Comment

Ms. Terri Laird with RPEN thanked the Committee for their hard work in exploring opportunities for the participants and believed a range of options should be made available because of the differing needs of the members in the Program.

Mr. Steve Watson supported Ms. Laird's comments.

3. For Possible Action – Discussion and possible approval of contract amendment to ING contract for plan administration and recordkeeping services.

Ms. Coombs gave a brief explanation of the ING contract amendment.

Mr. Frank Picarelli with Segal Rogerscasey noted ING extended the contract for 2 years with all of the same terms and conditions of the original proposal in terms of the required revenue on the variable funds, the same group of investments, and the \$90,000 allowance. All the terms and conditions of the original contract would continue under the ING Contract Amendment.

Chair Sisco questioned if the Plan did not use the full \$90,000 reimbursement what would happen to the remaining balance.

Mr. Picarelli stated the money would remain in the account and could be used to benefit the Plan and participants.

Mr. Picarelli noted that with the contract extensions both vendors would maintain the same level of staff so there would be no disruption to the organizations. Additionally if the Committee chose to add a loan feature in 2013 both vendor contracts would allow for that with fees associated with that product. ING would also be able to implement Morningstar and enhanced communications.

Mr. Davie asked for clarification that this was in reference to Amendment Two from 2010.

Mr. Picarelli stated the required revenue for all funds with ING was 35 basis points, the revenue on the variable was 26 basis points and the total revenue on the Stable Value fund was 55. The investment management fee on the Stable Value fund was 75 basis points.

Mr. Davie stated that in the past any excess money was returned to participants and he wanted to see that continue.

Mr. Picarelli noted they would look at expenses and revenue sharing and would work with staff to reallocate any excess funds back to participants.

Mr. Davie asked both providers what advantage the Plan had gained by extending the contract for two years instead of one.

Mr. Picarelli commented that ING was extending the contract based on current pricing parameters in the Program. ING was looking to enhance the Program through communication and working with Committee and staff. Hartford reduced their required revenue sharing on the variable fund from 28 basis points down to 11 basis points. With the two year extension the General Fund rate would be 3 percent next year (2013) with a floor of 2 percent starting in 2014. There will be a reduction of costs and after a cost analysis some money would go back to the participants.

Chair Sisco asked Mr. Picarelli to complete his presentation on the Hartford.

Mr. Picarelli added that The Hartford would waive all administrative fees associated with the loan provision if it was added. Morningstar advice was included in their contract and they were ready to roll with the Financial Sounding program but if the Committee chose not to go with that program, the money could be budgeted for other robust communication or marketing materials. The managed account function was in place with no additional charges.

Ms. Oliver asked Mr. Picarelli to explain item 6 on the Hartford letter.

Mr. Picarelli explained how the "Put Provision" worked on the General Account.

The Committee, Mr. Picarelli and the Providers continued their discussion on the Put Provision for The Hartford General Account.

Mr. Picarelli stated the Plan should send a letter to The Hartford by December, 2013 to have the General Account assets available at the end of the two year extension in 2014.

Chair Sisco noted Ms. Coombs should keep a file so 12 months prior they would get the letters together.

Mr. Davie questioned where the addition of Morningstar and Financial Soundings was in the amendment.

Mr. Picarelli stated those items were available under the current contract but were not being used at this time.

Mr. Jeff Morrow with The Hartford commented that they agreed to those items and there was a dollar amount for Financial Soundings that could be used for that or another campaign. The Hartford was waiving the standard cost for Morningstar advice so the only piece missing on the amendment was the allocated dollar amount for Financial Soundings which was offered during the RFP process.

Chair Sisco remarked the amendments were drafted broadly as to what was in the contract so the Committee did not have to go to the Board of Examiners for every item they chose to add.

Motion made by Vice Chair Carlos Romo to approve the contract amendment for the ING contract for plan administration and recordkeeping services for an additional two years, seconded by Mr. Brian Davie. Vote carried unanimously.

4. **For Possible Action – Discussion and possible approval of contract amendment to The Hartford contract for plan administration and recordkeeping services.**

Discussion for this item was held under item 3 above.

Motion made by Vice Chair Carlos Romo to approve the contract amendment for The Hartford contract for plan administration and recordkeeping services for an additional two years, seconded by Ms. Karen Oliver.

Mr. Davie discussed a letter received from The Hartford.

Mr. Morrow stated the letter would be retracted upon successful contract extension.

Mr. Davie noted the reimbursement to the plan was prorated at \$427,000 and asked if the share went down and participants transferred out because of the change with MassMutual. He inquired if that would affect Hartford's ability to operate the plan. The proration was based on the percentage of participants investing with The Hartford.

Mr. Morrow commented that the \$427,000 was not a source of revenue or opportunity for revenue. If the assets increased or decreased it would be reflected in an increase or decrease of reimbursement back to participants. He noted it was standard to have this as a pro-rata number so it continued to move and the Plan was compensated or reimbursed accordingly.

Chair Sisco asked Mr. Picarelli to alert the Committee if a large amount of participants were moving from one provider to another.

Mr. Davie commented on the 11 basis points down from 28 points and questioned if the rate on the General Account was still going to be 0.15 percent in revenue, which was in the original contract.

Mr. Picarelli indicated that was correct based on what The Hartford original contract stated.

Mr. Morrow noted Hartford was first paid from the variable funds and they expect to earn more on the General Account but they did not know what the rates would be for the General Account and what they would earn. That was the reason why they provided the floor guarantee at 2 percent. They could not provide a figure because the revenue Hartford earned from the General Account came after the return.

Vote on motion to approve the contract amendment for The Hartford carried unanimously.

Vice Chair Romo asked for an update on the sale to MassMutual and what they would need to do to amend the contract once the sale was complete.

Mr. Morrow stated they were targeting a year end close. The terms and conditions and rights and obligations of the contract the Committee voted on would continue after the sale. It would be a Hartford contract and MassMutual would be the administrator.

5. For Possible Action – Discussion and possible approval of contract amendment to Segal Rogerscasey contract for investment consulting services.

Ms. Coombs explained the need for the contract extension for investment consultant.

Vice Chair Romo inquired if this contract needed to go to the Board of Examiners (BOE).

Chair Sisco confirmed it would be presented to the BOE at the next meeting.

Motion made by Mr. Brian Davie to approve the contract amendment to Segal Rogerscasey Contract for investment consulting. Motion seconded by Vice Chair Carlos Romo and vote passed unanimously.

6. Public Comment

No comment at this time.

Comments/Updates

7. Committee Members

Chair Sisco commented on the NAGDCA conference that Ms. Oliver and he attended. He also noted some of the members attended Board and Commissions training.

Mr. Woodbury asked if the NAGDCA information was available online.

Mr. Davie stated the keynote session was available and the other programs would be available by the end of November.

Vice Chair Romo commented on the letter received by Dr. Ervin requesting minutes and other documents be posted to the website in accordance with the Open Meeting Law.

DAG Parker noted in reference to Dr. Ervin's letter that since the contract was not awarded pursuant to the RFP, the proposals remained confidential so information regarding those proposals would be redacted from the minutes.

Mr. Davie asked to have something on the agenda as an update on this item and he wanted to see the extent of redaction because he wanted the Committee to stay as open as possible.

Vice Chair Romo informed the Committee he was part of a legislative panel on the RPEN annual conference in Reno in September where he gave an update on what the Committee was doing.

Mr. Davie remarked they needed some vetting from Mr. Picarelli on MassMutual because the Committee did not know anything about the company. He would like more detail on the company because they would be getting the vast majority of the Plan assets and wanted to see that on the next agenda.

Mr. Davie thanked ING for the email announcement and letter advising ING participants of updates and where things stood with the Plan.

Chair Sisco commented on his article for the newsletter.

8. **Staff Updates**

Ms. Coombs noted the newsletter was 95 percent complete and would be circulated to the Committee and appreciated their input. She had found the learning curve challenging and was getting ready for the quarterly meeting in December.

Chair Sisco asked if they would see the draft RFP in December and commented that the Committee would see the draft and approve it before it went out.

DAG Parker quoted from The Hartford contract, page 7, item 20 regarding assignment/delegation which allowed the State the opportunity to consent to a merger with MassMutual and would probably require an amendment indicating written consent of the State.

DAG Parker announced she would be decreasing her role representing the Committee and Senior DAG Shane Chesney would increase his role with the Committee.

Ms. Coombs stated following the meeting the contracts would be signed and delivered to Budget.

Mr. Robert Trenerry with The Hartford thanked the Committee for getting through the long process and commented that they looked forward to another two years with the Plan.

9. **Adjournment**

Motion made by Vice Chair Carlos Romo to adjourn the meeting, seconded by Mr. Steve Woodbury. Motion passed unanimously.

Meeting was adjourned at 11:25 a.m.

Respectfully Submitted,

Micah Salerno
Administrative Assistant