

Brian Sandoval
Governor

Reba Coombs
Program Coordinator



**Nevada Public Employees'
Deferred Compensation Program**

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

Shane Chesney
Senior Deputy Attorney General

**DEFERRED COMPENSATION COMMITTEE
QUARTERLY MEETING MINUTES FOR**

Thursday, June 6, 2013

The quarterly meeting of the Deferred Compensation Committee was held on Thursday, June 6, 2013 at 9:00 a.m. in room 2135 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 supporting material, is available on the Nevada Deferred Compensation (NDC) website at: <http://defcomp.nv.gov/Meetings>. 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
Steve Woodbury
Carlos Romo, Vice Chair
Scott Sisco, Chair

OTHERS PRESENT

Bill Abramowicz, MassMutual	Scott Hudson, ING (by phone)
Jim Barnes, Zeh Law Firm	Harriet Jacobs, Great-West
Bishop Bastien, ING	Brian Merrick, ING
John Borne, Great-West	Frank Picarelli, Segal Rogerscasey
Eric Caruso, Parole/Probation	Steve Platt, ING
Shane Chesney, Senior Deputy Attorney General	Rex Reed, Participant
Reba Coombs, NDC Program Coordinator	Cy Ryan, Las Vegas Sun
Steve Ebert, Nationwide	Micah Salerno, NDC Admin Assistant
Kent Ervin, UNR	Todd Theroux, MassMutual (by phone)
Brett Fields, IAFF 1908	Robert Trenerry, MassMutual
Jeff Fontaine, NACO	Tom Verducci, Great West
Michael Hackett, MassMutual	
Jacob Honea, MassMutual	

1. Call to Order/Roll Call

Chairman Scott Sisco called the quarterly meeting of the Nevada Deferred Compensation (NDC) Committee to order at 9:01 a.m., on Thursday, June 6, 2013. Roll was taken and it was determined a quorum was present. Ms. Reba Coombs indicated the meeting had been properly noticed and posted. Chair Sisco also recognized those calling in to the meeting.

2. Public Comment

Dr. Rex Reed provided comment on an Open Meeting Law complaint regarding emails he had requested between Mr. Sisco, Ms. Oliver and Dr. Romo. He felt these members engaged in inappropriate activity related to the Deferred Compensation Program. Based on the emails he believed that Mr. Sisco, Ms. Oliver, and Dr. Romo intended to deliver the NDC provider contract to Hartford noting those actions indicated an abrogation of their fiduciary responsibilities. Dr. Reed also believed that Mr. Sisco, Ms. Oliver, and Dr. Romo engaged in inappropriate walking quorums. Dr. Reed requested his notes be posted on the Deferred Compensation website as part of his public comment. ([Public Comments & Emails](#))

Mr. Davie requested that Dr. Reed's statement and notes be made part of the meeting record. He also asked Senior Deputy Attorney General (DAG) Shane Chesney what the Committee should do with this information and if the Attorney General's office would look further into this matter.

DAG Chesney noted the concerns should be forwarded to George Taylor, Senior Deputy Attorney General, for evaluation to see if anything could be done with regard to the Open Meeting Law.

Chair Sisco asked Dr. Reed if he included the email Sisco sent to him after Reed went to his office saying "Hartford needed to go."

Dr. Reed did not remember ever saying "Hartford has to go" but met with Mr. Sisco because of his concern with the General Account and he challenged Mr. Sisco to produce that email.

Mr. Davie stated, for the record, that there was no collusion between him and any other members during the RFP process and their commitment was to have an open, fair, RFP process. But based on evidence presented today he did not believe it was an open and fair RFP process.

Mr. Eric Caruso with Parole and Probation requested the Committee address agenda item 13 earlier in the meeting because he had to return to work.

Chair Sisco stated they would be taking many items out of order to accommodate Mr. Woodbury and Ms. Salerno needing to leave the meeting early.

13. For Possible Action – Discussion and update from MassMutual concerning third party administrator for implementation of loan provision with two recordkeepers for participants and/or direct staff accordingly.

Ms. Coombs referred to past discussions of possibly adding a Loan Provision to the Plan noting the difficulties in monitoring a loan program with having two recordkeepers with the Plan. She stated it would probably be best to wait until the new recordkeeper RFP to implement a loan plan based on recommendations from Mr. Frank Picarelli and both recordkeepers. Ms. Coombs noted that Mr.

Bill Abramowicz with MassMutual was asked to provide information and answer questions regarding the loan program and using a third party administrator (TPA) to facilitate the program.

Mr. Bill Abramowicz with MassMutual confirmed they spoke with a few TPAs to help decipher some of the administrative issues. He noted the TPA based their fees only on the participants taking loans. The Plan should consider allowing participants to take only one loan per person and have the loans paid back through payroll deduction because there would be less default issues. He stated there were approximately 350 participants that invested with both recordkeepers so that would have to be monitored to assure the participants were not taking more than one loan. The loan program could also be handled without a TPA since both recordkeepers could administer the loans.

Mr. Todd Theroux with MassMutual commented that a TPA in the Bay Area was interested in the NDC Plan, but would need parameters on the full loan program so they could get a better handle on what tasks they would be fulfilling.

Mr. Frank Picarelli with Segal Rogerscasey stated there should be a sound process in place to follow the IRS rules and guidelines. Loans were contradictory to the Program because the Plan encouraged participants to save money; however, the loan program was voluntary and had to be paid back. Whatever the decision, there needed to be a good administrative process to ensure it was being handled properly. Clearly it would be easier with one recordkeeper.

Chair Sisco remarked they would have to have to go out for bid for a TPA which added cost.

Motion made by Vice Chair Romo to not have a loan provision added to the plan, second by Mr. Woodbury.

DAG Chesney stated the agenda item only referred to utilizing a third party administrator so they should amend the motion to reflect that. They could add the loan program issue to a future agenda if needed.

Amended motion made by Vice Chair Romo to not go with a third party administrator for a loan program at this time, second by Mr. Woodbury. Motion passed unanimously.

- 4a. For Possible Action – Discussion and possible action to adjust salary pursuant to legislative restoration of 2.5% pay cut for staff.

Chair Sisco added this item to the agenda because the Committee needed to take action in order to have Ms. Coombs receive the reinstated 2.5 percent salary increase.

Motion by Vice Chair Romo to increase staff salary by 2.5 percent as of July 1, 2013. Motion seconded by Mr. Woodbury and carried unanimously.

6. For Possible Action – Receive and approve the Investment Consultant’s Fund Watch list for first quarter.

Mr. Picarelli referred to Tab 2, page 25 of the Performance Review and explained that funds were added to the watch list because of a manager change and/or underperformance of benchmark and peer ranking. ([1Q 2013 Performance Review](#))

FUND	RECOMMENDATION
American Funds Growth Fund of America	Remain on Watch
Hartford MidCap HLS	Remove from Watch
Lazard US Mid Cap Equity Fund	Terminated effective 4/19/2013
Munder Mid Cap Core Growth Fund	Remove from Watch
Keeley Small Cap Value Fund	Remain on Watch
Mutual Global Discovery	Remove from Watch
Hartford General Account	Remove from Watch
Hartford Small Company Fund HLS	Remain on Watch
Victory Diversified Stock Fund	Place on Watch due to underperformance
Oppenheimer Main St Small & Mid Cap Fund	Place on Watch due to underperformance

Mr. Picarelli stated he would add a page to his report to track the history of the Watch List.

Chair Sisco requested two additional columns be added to the Watch List: one showing how many participants were in the funds and the second for how much money was in the funds.

Motion made by Mr. Davie to approve the Watch List as specified by the Investment Consultant, seconded by Vice Chair Romo. Motion passed unanimously.

7. For Possible Action – Discussion and possible update of ING Stable Value Fund for the FICA Alternative Plan.

Mr. Steve Platt with ING stated that due to deteriorating interest rates in the FICA plan fund, participants could reach a zero or negative rate of return because of the expense ratio versus the gross rate of the fund. The fund had approximately \$4 million in assets with 2,210 participants and 380 participants currently contributing. ING presented an option of moving to another fund that had a lower expense ratio of 1.30 percent and charging a \$1 per person fee per month. The new arrangement would increase the earnings by about 60 basis points.

Mr. Picarelli noted the management fee to run the FICA plan was expensive. He presented two other options for this issue: do nothing and monitor the fund closely or move the money to the Hartford fund which would take 12 months because of a 12 Month Put. He believed the best solution, short term, would be to go with the ING option of moving it to the lowest sleeve and charging participants \$1 per month.

Mr. Platt noted if the Committee went with the ING option it would be a fund change and, as required, they would notify participants thirty days prior. With that communication they could also notify participants of their option to move funds to the MassMutual FICA account.

Recommendation from Mr. Picarelli on the ING FICA Alternative Plan would be to move to a lower management fee proposed by ING of 1.30 percent from 1.90 percent and charge \$1 per month per participant administrative fee to preserve principal. Communication would be developed by ING explaining the new fee and if the participant took no action it would default to the new fund and pricing arrangement and if they wanted an alternative in the Program they could move their account to the MassMutual fund offered.

Motion made by Vice Chair Romo to go with the recommendation of the Investment Consultant, seconded by Mr. Davie. Motion carried unanimously.

10. For Possible Action – Discussion and possible acceptance of Attorney General’s response dated February 28, 2013 to Open Meeting Law complaint.

Ms. Coombs summarized the Open Meeting Law complaints from Dr. Kent Ervin which involved the fact that minutes and other documents from previous Committee meetings had not been posted to the website within 30 days after the meeting as required by Nevada Open Meeting Law. The response from the Attorney General’s office stated the Committee had been in violation, but they only issued a warning to the Committee and all the issues had been resolved.

Motion made by Vice Chair Romo to accept the February 28, 2013 recommendation and decision by the Attorney General’s office, file number 12-037. Motion seconded by Mr. Woodbury and passed unanimously.

14. For Possible Action – Discussion and possible approval of Request for Information for auditing firms to conduct an annual financial audit.

Ms. Coombs explained the statute did not require a financial audit for the Plan but it was considered best practice in the industry and she was looking for direction from the Committee about putting out a RFI for this service.

Chair Sisco was extremely concerned about what was previously done with the financial audit and how former staff was pushing to renew the contract without going back out to bid. He had asked Ms. Coombs to send him the contract and bids. He believed the way the previous contract was structured the Committee ended up paying an astronomical amount for the audits. Two audits from the three year contract cost \$124,992. He did not want to see the current Committee make the mistake that the previous Committee had. He wanted to make sure they received the work that was paid for and to have the RFI go to as many bidders as possible.

Mr. Davie stated that the previous Committee had good reasons for doing the financial audit and he did not want to see the motives of those members denigrated or impugned. There was a complete RFP process and the Committee found out there were not many companies who performed this kind of financial audit. They selected what they thought was the best company at the best price. There had never been a financial audit performed before 2008 so the previous Committee had good rationale for doing the financial audit.

Motion made by Mr. Woodbury to ask staff to proceed with the RFI after removing the confidentiality portion, and provide results at or before the next meeting so they could review and select a vendor. Motion seconded by Vice Chair Romo and carried unanimously.

15. For Possible Action – Discussion and approval of updated Administrative Manual and/or direct staff accordingly.

Ms. Coombs stated she updated the previous Administrative Manual and was looking for approval of the draft.

Chair Sisco noted on page 4 under Mission and Goals, section 1.1, "out of fees paid by participants" should be added to the end of the last sentence.

Motion made by Mr. Davie to adopt the revisions of the Administrative Manual, as presented. Seconded by Vice Chair Romo motion passed unanimously.

3. For Possible Action – Approval of Committee meeting minutes from planning meeting of January 30, 2013 and regular meeting of February 20, 2013.

Motion by Vice Chair Romo to approve the planning meeting minutes of January 30, 2013, second by Mr. Davie. Vote carried unanimously.

Chair Sisco asked for wording to be added on page 11, second paragraph of the February 20, 2013 minutes.

Chair Sisco provided a handout of the statutory requirements for meeting minutes and instructed staff to follow those guidelines.

Motion by Vice Chair Romo to approve the February 20, 2013 minutes, second by Mr. Woodbury. Motion carried unanimously.

Mr. Davie, for the record, did not agree with the direction to staff about the minutes and did not feel it was appropriate to require those restrictions.

16. For Possible Action – Discussion and setting of future meeting dates.

Motion by Vice Chair Romo to accept the current meeting dates of 8/15/2014, 11/14/2013 and set the Planning Meeting date for 1/9/2014. Motion seconded by Mr. Davie and passed unanimously.

12. For Possible Action – Receive an update and discussion of the addition of Morningstar Managed Accounts to the ING platform and/or direct staff accordingly.

Mr. Picarelli explained the Morningstar Managed Account program which was an optional service offered to ING participants for a fee. If selected it would allow a managed account service that provided participants with automatic portfolio set-up, ongoing monitoring and professional investment management of their retirement accounts. The Committee would not be responsible for these investments because Morningstar took on the fiduciary responsibility.

Mr. Brian Merrick with ING clarified that the prior RFP (not the discarded one) did include a response on their ability to offer Morningstar Advice. This was an expansion to the services already available to ING participants and there was already an agreement in place between the Committee and Morningstar for the *Managed by You* service. The agreement would need to be updated to include the *Managed by Morningstar* feature. It was the Committee's decision whether they wanted to make this option available.

DAG Chesney noted the Committee could vote on the item contingent that it fit into the scope of the original RFP.

Motion made by Mr. Woodbury to amend the existing agreement to allow for the additional service of *Managed by Morningstar* for ING participants, as long as the current RFP they were operating under recognized Morningstar. Motion seconded by Mr. Davie.

Mr. Abramowicz commented that MassMutual would be willing to look into offering a managed account to their participants.

Vote taken on motion and passed unanimously.

4. For Possible Action – Receive and approve Program Coordinator’s report for first quarter ending March 31, 2013.

Ms. Coombs presented her quarterly report with information on travel funds, NAGDCA, enrollment email campaign, newsletters, Financial Soundings report, regulatory updates and a proposed RFP timeline. ([Coordinator Report](#))

Mr. Woodbury suggested having the next newsletter as the “Summer” edition to get back on track, according to the seasons.

Chair Sisco asked the Committee to review the proposed changes on the regulatory updates and provide comments to Ms. Coombs as soon as possible because the process to get those updated could take up to six months.

Mr. Davie stated they needed to find out if the Committee had rule making authority to adopt rules.

DAG Chesney would quickly look into the rule making authority and in the absence of authority, what the default was.

Ms. Coombs asked the Committee to provide comments on the proposed changes within the next two weeks.

Motion to accept the Coordinator’s Report made by Vice Chair Romo and seconded by Mr. Woodbury. Vote was unanimous.

5. For Possible Action – Receive and approve Investment Consultant’s review of first quarter reports from providers and performance of investment options and/or direct staff accordingly.

Mr. Picarelli presented his quarterly report on first quarter (1Q) of 2013 commenting on financial market conditions from pages 1-10 of Tab 1 of his Performance Review. Continuing on Tab 2, pages 20-25 Mr. Picarelli offered the Executive Summary for 1Q ending March 31, 2013 showing the NDC Program total Plan assets were \$611.7 million which was an increase of \$22.9 million or 3.9 percent. The majority of Plan assets were invested in the Stable Value Funds representing \$277 million (45 percent) in the Hartford General Account and \$28.1 million (5 percent) in the ING Stable Value Account. Individually, MassMutual assets totaled \$497.1 million, increasing \$18.1 million or 3.8 percent and ING assets totaled \$114.6 million, increasing \$4.8 million or 4.4 percent. Tab 3 showed Plan Activity and Tab 4 was the fund breakdown. ([Performance Review](#))

Mr. Woodbury left the meeting so did not vote on any further items.

Motion made by Vice Chair Romo to approve the Investment Consultant report, second by Ms. Oliver and motion carried unanimously (4-0).

8. For Possible Action – Receive and approve plan activity and administrative update from ING for quarter ending March 31, 2013.

Mr. Bishop Bastien announced the new name for ING would be Voya but it would take 18-24 months to have the change completed. An Initial Public Offering (IPO) was held May 2, 2013 so they were now a publicly held company.

Mr. Merrick and Mr. Platt presented a quarterly report from ING. ([ING Report](#))

Motion made by Vice Chair Romo to accept and approve the ING report, seconded by Ms. Oliver. Vote carried unanimously.

9. For Possible Action – Receive and approve plan activity and administrative update from MassMutual for quarter ending March 31, 2013.

Mr. Trenerry presented a quarterly report from MassMutual. ([MassMutual Report](#))

Vice Chair Romo asked if they could break down the contribution numbers for governmental partners and State employees.

Mr. Trenerry stated they could provide that information in the future.

Mr. Trenerry gave a brief summary of the Financial Soundings report that was mailed out to their actively contributing participants.

Motion made by Vice Chair Romo to accept and approve the MassMutual report, seconded by Ms. Oliver. Vote carried unanimously.

11. For Possible Action – Receive an update concerning the non-spousal beneficiary complaint resolution issue and discuss possible future action and/or direct staff accordingly.

Mr. Trenerry reported, as of last week, there had not been any communication from the beneficiary or their attorney so MassMutual was waiting to hear from the beneficiary on how to move forward.

Mr. Trenerry stated the NDC Plan Document did have a default if no beneficiary was designated which was the "5 year rule" but it could be changed if the Committee chose to do that.

Mr. Davie believed they should change their Plan Document to have the default be the "Lifetime rule" so a non-spousal beneficiary would not be hurt by the current designation. He asked to have this item formally put on an agenda and change the Documents to reflect what was beneficial to the participants.

Chair Sisco stated they would add that item and requested some education regarding that issue.

Comments/Updates

17. Committee Members

Mr. Davie noticed Clark County put out an RFP and he offered to attend their finalist meeting to see how they did their business which would be educational and helpful. He also suggested getting notices from NSHE for their RFP meetings to see how they run their business. Mr. Davie also asked Mr. Picarelli to keep them informed of the process Clark County used.

Chair Sisco felt like the Committee was moving forward from past issues and encouraged them to continue moving forward and let go of the past.

18. Contractors/Recordkeepers

No comments.

19. Senior Deputy Attorney General

No comments.

20. Staff Updates

No comments.

21. Public Comment

Mr. Kent Ervin, active participant, thanked the Committee for addressing his Open Meeting Law Complaint and appreciated SDAG George Taylor's work and thought it was a thorough and fair process. He also thanked the Committee for getting the minutes up to date. He made a suggestion to follow the PEBP method for minutes which was having a set of "action only" minutes and also a verbatim transcript. Going forward with the next RFP he recommended the Committee embrace the process through Purchasing and have them lead the Committee through it and if anything was going to be confidential in the RFP they should follow the specific statute. Mr. Ervin also thanked the Committee for reducing fees on some of the index products in the past few months.

Dr. Reed shared more emails and concerns about walking quorums and inappropriate blind carbon copies between Committee Members. ([Public Comments & Emails](#))

A disclaimer from Chair Sisco, for the record, was that the record was incomplete and Mr. Reed's only perception was based on those emails that he wanted to reference.

Ms. Oliver referenced the email from Dr. Reed regarding Mr. Picarelli picking up the tab for her meal and stated that she corrected the error she made by repaying his firm for that meal.

22. Adjournment

Motion made by Vice Chair Romo to adjourn the meeting, second by Ms. Oliver. Motion passed unanimously.

The meeting was adjourned at 2:13 p.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant