

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, August 15, 2013

The quarterly meeting of the Deferred Compensation Committee was held on Thursday, August 15, 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 (by videoconference)
Karen Oliver
Steve Woodbury
Carlos Romo, Vice Chair
Scott Sisco, Chair

OTHERS PRESENT

Lyra Ambrose, ING (by phone)
Jim Barnes, Zeh Law Firm
Bishop Bastien, ING
Anthony Cardone, MassMutual (Las Vegas)
Shane Chesney, Senior Deputy Attorney General
Reba Coombs, NDC Program Coordinator
Janet Corral, MassMutual (Las Vegas)
Jack Crawford, Participant
Steve Ebert, Nationwide
Kent Ervin, UNR
Michael Hackett, MassMutual
Jacob Honea, MassMutual

Brian Merrick, ING
Jill O'Brien, MassMutual
Gary Petrytus, Valic
Frank Picarelli, Segal Rogerscasey
Steve Platt, ING
Micah Salerno, NDC Admin Assistant
Robert Trenerry, MassMutual
Tom Verducci, Great West
Melanie Walker, Segal Rogerscasey (by phone)
Steve Watson, MassMutual

1. Call to Order/Roll Call

Chairman Scott Sisco called the quarterly meeting of the Nevada Deferred Compensation (NDC) Committee to order at 8:59 a.m., on Thursday, August 15, 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

No public comment.

Chair Sisco stated they would be taking items out of order to accommodate Mr. Picarelli needing to leave the meeting early.

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

Mr. Picarelli presented his quarterly report on the second quarter (2Q) of 2013 commenting on financial market conditions from pages 1-19 of his Performance Review. Continuing on pages 20 and 21 Mr. Picarelli offered the Executive Summary for 2Q ending June 30, 2013 showing the NDC Program total Plan assets were \$618.7 million which was an increase of \$6.9 million or 1.1 percent. The majority of Plan assets were invested in the Stable Value Funds representing \$277.5 million or 45 percent in the Hartford General Account and \$27.8 million or 4 percent in the ING Stable Value Account. Individually, MassMutual assets totaled \$503.5 million, increasing \$6.3 million or 1.3 percent and ING assets totaled \$115.2 million, increasing \$0.6 million or 0.5 percent. ([2Q 2013 Segal Report](#))

Mr. Picarelli noted that the benchmarks had changed on Policy Indices for two Vanguard funds but because the NDC Investment Policy statement was well crafted and indicated the index funds should track the performance of that management, nothing needed to be done to account for those changes.

Chair Sisco asked if Mr. Picarelli had reviewed the NDC Investment Policy.

Mr. Picarelli stated he had reviewed it and it looked good with well-constructed language.

Mr. Picarelli remarked that on September 13, 2013, the SSgA US Bond Market INLS expense ratio would be reduced from 15 basis points (bps) to 6 bps as a result of earlier negotiations with MassMutual. In addition, on May 22, 2013, the share class was reduced for another five funds. (Pages 20 & 21)

Mr. Picarelli noted that the Lazard U.S. Mid Cap Equity Fund with ING was mapped to the Hartford Mid Cap HLS Fund as of April 19, 2013.

Mr. Picarelli covered the Watch List from pages 22-24 and recommended all funds from the March 31, 2013 list remain on watch.

Chair Sisco requested Mr. Picarelli to check the date on the Hartford General Account being placed on watch from page 29.

Mr. Picarelli commented on the revenue sharing analysis from pages 30-31 and recommended that both recordkeepers be proactive in monitoring these so there were no surprises as time went on. The ING revenue sharing was still projected to have an approximate \$34,000 shortfall per year, but the \$90,000 annual fee for Plan expenses should be adequate to cover the difference for 2013 and 2014.

Chair Sisco inquired if a per-head fee only applied to the FICA Plan.

Mr. Picarelli stated that was correct and in the regular plan the participants only paid a management fee.

Mr. Picarelli also covered plan activity and asset allocations on pages 30-44 of his report.

Mr. Davie referred to page 34 and 35 and asked Mr. Picarelli to include pie charts for the same quarter from the previous year so they could see the difference over a year in addition to the quarterly changes.

Mr. Picarelli agreed to add the additional pie chart to his next report.

Mr. Picarelli stated that their company provided a rating report on the fund line-up of both recordkeepers at the June and December meetings. He explained the rating system and reviewed the two reports. ([Segal Line-Up](#))

Motion by Vice Chair Romo to accept the Investment Consultant report, second by Ms. Oliver. Motion carried unanimously.

6. For Possible Action – Receive and approve the Investment Consultant’s Fund Watch List for the second quarter ending June 30, 2013.

Mr. Picarelli referred to page 28 of the Performance Review and recommended retaining all funds on the Watch List from last quarter. ([2Q 2013 Segal Report](#))

FUND	RECOMMENDATION
American Funds Growth Fund of America (ING)	Remain on Watch
Keeley Small Cap Value Fund (ING)	Remain on Watch
Hartford Small Company Fund HLS (MassMutual)	Remain on Watch
Victory Diversified Stock Fund (MassMutual)	Remain on Watch
Oppenheimer Main St Small & Mid Cap Fund (MassMutual)	Remain on Watch

Motion made by Vice Chair Romo to approve the Investment Consultant’s fund Watch List for the second quarter, second by Mr. Woodbury. Motion passed unanimously.

13. For Possible Action – Receive update on non-spousal beneficiary language in Plan Document and direct staff accordingly.

Ms. Coombs provided background on the agenda item and explained why it was necessary to change the default language in the Plan Document regarding this issue.

Chair Sisco commented on the past issue of a non-spousal beneficiary with the NDC Plan that related to the current default *5-year* rule and why the change needed to be made in the language.

Ms. Melanie Walker, an attorney and compliance officer with Segal Rogerscasey, called in to offer her expertise stating it was better to have the default rule of a *Lifetime* benefit for the required minimum distribution rather than the lump sum payout at the fifth anniversary of the participant's death (*5-year rule*). It was better to have the participant be given an opportunity to change how they wanted to receive the benefit rather than receiving a large sum with a tax liability attached to it. The IRS regulations used the *Lifetime* payout as the default if a plan did not select another and it was the most common default for required minimum distributions for non-spousal beneficiaries.

Chair Sisco questioned if the language was changed to the *Lifetime* rule as a default if a beneficiary could make a change later if they wanted to receive a lump sum payout.

Ms. Walker stated a beneficiary could accelerate payments or take a lump sum if they chose.

Ms. Coombs referred to the language provided under article 8.7 d) i., and noted where the wording needed to be changed. ([Current Language](#))

Senior Deputy Attorney General (DAG) Chesney suggested to switch the wording under section 8.7 d) i. with the wording under section 8.7 d) i. 1.

Ms. Walker agreed with the proposed language change by DAG Chesney.

Motion by Vice Chair Romo to authorize Senior DAG Shane Chesney to provide necessary language and authorize the Program Coordinator Reba Coombs to update the Plan Document as described.

Mr. Woodbury suggested having DAG Chesney come up with language and have Mr. Picarelli's team review it.

DAG Chesney would send a draft to Mr. Picarelli and Ms. Walker to confirm the changes.

Second on motion by Mr. Woodbury, motion carried unanimously.

Vice Chair Romo inquired as to when the changes would take effect.

Ms. Walker stated it would be effective when they chose but the recordkeepers would need to track the current status of beneficiaries.

Ms. Coombs noted that beneficiaries still had the option to choose the *5-year* or *Lifetime* rule but this amendment was changing the default in case the beneficiary did not choose an option.

Chair Sisco asked for an update on the current beneficiary issue with MassMutual.

Mr. Robert Trenerry stated there was no update as no communication had taken place from the beneficiary.

3. For Possible Action – Approval of Committee meeting minutes from meeting of June 6, 2013.

Ms. Oliver asked to have her comment from page nine about paying for her meal referenced back to the emails from Dr. Reed during the public comment. She also wanted to have a softer word used on page six in regard to Chair Sisco's direction to staff about meeting minutes.

Vice Chair Romo felt an explanation should be included on page five concerning the Open Meeting Law complaint and violation.

Chair Sisco was concerned about editorializing and favoritism in the minutes and did not feel they followed the NRS. He commented that more information should have been included to explain Mr. Davie's comment about the financial audit on page five. Chair Sisco also related that Assembly Bill 65 required that any handouts from the meeting needed to be posted on the website within 24 hours. Chair Sisco asked staff to clean up the minutes and get the website meeting exhibits whole before the next meeting.

4. For Possible Action – Receive and approve Program Coordinator's report for second quarter.

Ms. Coombs presented her quarterly report with information on NAGDCA and FICA distribution. ([Coordinator Report](#))

Mr. Trenerry spoke regarding the FICA distribution noting the distribution of small accounts with no activity for at least two years was a common practice to "clean up" the Plan and MassMutual was planning on taking a look at the 457 accounts in the future as well.

Mr. Steve Platt with ING remarked that communication would be sent out to participants prior to the distribution letting them know the options they had including rolling money into an IRA or other qualified plan.

DAG Chesney commented that after reviewing the FICA Plan Document there was no mandatory language requiring a distribution.

Chair Sisco requested the communication to include an opt-out option so the participants were not forced to take the distribution.

Ms. Coombs continued her report covering email blasts, Financial Education Days, and the Plan's Alliance Partners.

Vice Chair Romo, in reference to information on the Alliance Partners, asked if the expired contracts with the Alliance Partners would have any legal exposure.

DAG Chesney noted it was not an ideal situation but they could do a retroactive amendment back to January 1, 2013.

Chair Sisco was concerned with item 7(d) of the Interlocal Contract Between Public Agencies where it stated "*The Committee agrees to authorize the two investment providers...*" because of the wording on "two investment providers."

DAG Chesney stated they should make the amendment to the contracts first and then change the wording later after updating the regulations and changing the SAM.

Mr. Davie commented that there was nothing wrong with the language on the FICA document at this point because there were two providers in our Plan. He also referred to a handout he provided relating to the MassMutual consultant position he had inquired about at a previous meeting. The memo mentioned that the consultant assisted with various State conferences and Mr. Davie felt it would be a great opportunity to have Mr. Watson, the consultant, help NDC hold a state-wide meeting with the current and possible future Alliance Partners to inform them what the Program was about and to share ideas.

Ms. Coombs concluded her report by discussing an upcoming participant survey and asked for feedback on how it should be circulated and what type of questions should be asked.

Mr. Picarelli believed the participant survey was a great idea prior to the RFP, surveying participants on what they thought was right and what was wrong, to address some of the scope of services in the RFP. It would help with decisions on what was best for participants and their interests.

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

8. For Possible Action – Receive and approve plan activity and administrative update from MassMutual for second quarter ending June 30, 2013, including overview of MassMutual website.

Ms. Jill O'Brien a communications consultant dedicated to the governmental market for participant communication and education with MassMutual spoke to the Committee about ways she provides support to staff and the local MassMutual offices to bring education information to Plan participants in a targeted way. She shared examples of how they can customize material to target different audiences in the Plan and gave a brief demonstration of the MassMutual website.

Mr. Trenerry presented the quarterly report from MassMutual. ([MassMutual 2Q Report](#))

Motion to accept the MassMutual quarterly report made by Vice Chair Romo and seconded by Mr. Woodbury. Motion carried unanimously.

9. For Possible Action – Discussion and review of responses to Request for Information for financial audit and whether to enter into contract negotiations and/or direct staff.

Ms. Coombs explained there were two responses for the RFI for a financial audit issued in June and was looking for direction from the Committee on how to proceed.

Chair Sisco was in support of a financial audit, although it was not required, but he had some concerns about the number of payroll centers with Alliance Partners and the estimated costs

proposed which were much higher than the original estimation. He asked Mr. Picarelli for suggestions on the direction the Committee should go.

Mr. Picarelli commented that because the Plan had two service providers in addition to various payroll centers, the audit would involve more time and work. He also addressed the scope of services and costs associated with both companies that submitted responses to the RFI. Best practice was to do a financial audit on an annual basis even though it was not required.

Mr. Woodbury recommended they meet with the vendors and scale back the scope of service to reduce the price and then negotiate new proposals.

Chair Sisco believed it would be beneficial to review the previous audits and see if there were any significant findings then negotiate with both companies and come back with a couple of proposals. One could address price and scope of work and another proposal if the audit was not done annually but maybe every other year. He asked if Mr. Picarelli would work with Mr. Woodbury to speak with the companies and negotiate price and scope of work on behalf of the Committee and then come back with a couple of proposals at a future meeting.

Mr. Picarelli was willing to work with Mr. Woodbury to help negotiate price and scope of service with both companies.

Motion made by Chairman Sisco to have the Committee authorize Mr. Woodbury with Mr. Picarelli's help to contact the two companies and bring back to the next Committee meeting proposals for either multiple time periods and/or multiple cost prices with similar scope of services, second by Vice Chair Romo. Vote was unanimous.

7. For Possible Action – Receive and approve plan activity and administrative update from ING for second quarter ending June 30, 2013, including update on fund change.

Mr. Platt reported that the FICA Plan fund change was progressing and on August 23, 2013 the share class would be changing. In addition, the \$1 per month fee would begin in October and account balances under \$25 would have the fee waived. The participants would receive communication about the FICA fee change in September. The Morningstar Managed accounts were set up in July. Communication would be going out and meetings were scheduled to introduce the service and educate participants.

Mr. Brian Merrick presented the quarterly report from ING. ([ING 2Q Report](#))

Motion by Vice Chair Romo to accept the ING quarterly report, seconded by Mr. Woodbury. Vote was unanimous.

10. For Possible Action – Receive an update on timelines and plan to make changes to NAC regulation relative to the Deferred Compensation Plan.

Ms. Coombs provided a proposed timeline for the NAC regulatory update along with proposed changes to the current language. ([NAC Changes](#))

Mr. Davie apologized if his question from the last meeting concerning who had authority to change the regulations, had caused a delay in getting the process started. He also stated he had some suggested changes.

DAG Chesney pointed out when looking at the NAC the authority is cited in the regulation and NAC all referenced NRS 287.330. It did not give explicit authority but implicit authority so he recommended moving forward and vote to get the process going. The wording could always be changed at a workshop.

Mr. Davie provided his suggested changes to the NAC.

DAG Chesney noted wherever it said "Recordkeepers" it should read "Recordkeeper(s)" to be consistent. If the proposal was returned from the Legislature within thirty days then staff could hold a workshop where anyone could attend. The regulatory hearing could be held at the next meeting in November to adopt the changes.

Motion by Vice Chair Romo to direct staff to move forward on the regulation process, seconded by Mr. Woodbury. Vote carried unanimously.

11. For Possible Action – Review and discuss possible changes to State Administrative Manual (SAM) Chapter 3800 Deferred Compensation and/or direct staff accordingly.

Chair Sisco recommended the SAM language be sent out, marked up to see what changes they wanted, and have a final to approve at the next meeting. Once the NAC regulation process was completed they could send the SAM chapter to be updated.

12. For Possible Action – Receive update on FICA Alternative Plan Document and Plan Summary Document and/or direct staff accordingly.

Ms. Coombs noted the FICA Plan Document and FICA Plan Summary had been presented to the Committee in June of 2012. She went through it and made small corrections but needed final approval to post the update to the website.

Chair Sisco noted the language on page 16, regarding the default for a beneficiary, needed to be changed to reflect the wording the Committee voted on from earlier in the meeting.

Vice Chair Romo stated they should remove the word "Mandatory" on page 12 under Article VII.

Mr. Davie recommended to check with Mr. Picarelli to be certain the wording could be changed.

Motion by Vice Chair Romo to adopt the FICA Alternative and Summary Plan Documents with changes made today. Mr. Davie seconded the motion and it passed unanimously.

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

Ms. Coombs encouraged the Committee to get some dates on the calendar for future meetings.

Chair Sisco commented they should have a meeting with Mr. Picarelli for structuring the RFP.

DAG Chesney suggested meeting January 9 and 10 for the RFP and Planning Meeting.

The Committee chose to add January 9, 2014 for the RFP, January 10, 2014 for the planning meeting and February 20, 2014 and May 22, 2014 for quarterly meetings.

Comments/Updates

15. Committee Members

Mr. Davie commented on a handout he provided from the Boards and Commissions manual which was a reminder for all members to show respect for those who testify at meetings. He noted he highlighted certain portions and was trying to apply the information to himself and felt it was appropriate for the whole Committee. Mr. Davie also wanted to correct a statement from a newspaper article written about the last meeting which said "a source close to the committee, who asked not to be identified, said there was a split between old and new members over the decision to retain Hartford." He felt this was an inaccurate statement and wanted to state that for him the issue had nothing to do with retaining Hartford/MassMutual but his issue was having a fair and open RFP process using proven legal procurement and review procedures that allowed all recordkeepers to believe that they had a fair and equal opportunity to win the bid. It was not about a specific company but about the Committee and Program having a fair and equal process. Mr. Davie also thanked LCB Broadcast & Production Services as well as the Las Vegas staff for the videoconference facilities and for the internet broadcast.

Vice Chair Romo noted he participated in a MassMutual webcast and found it informative. He also commented on serving as Vice Chair and thanked Chair Sisco for leading the meetings and directing the Committee.

Chair Sisco referred to the handout from Mr. Davie and noted that everything highlighted was under duties of Chairman so he assumed Mr. Davie was suggesting he was not doing what he needed to be doing. Chair Sisco surveyed the other Committee members to see if they had any concerns or issues about how he operated.

Ms. Oliver remarked that she did not have any issues with how Chair Sisco ran the meetings and did not think it was appropriate to direct the comments to a Committee member. Chairmanship was a leadership position and was difficult to run the meeting and add input and she appreciated that Chair Sisco stepped up to take his turn as Chairman.

Mr. Woodbury did not have any issues and noted there had been some challenges but hoped the Committee could move forward in a positive way.

Chair Sisco stated it had been difficult but he was trying to do his best and thought the Committee all had the same goal in mind about getting the best RFP out on the street and doing what was right for the participants.

Mr. Davie stated he was not trying to make a personal attack but was trying to move forward in a positive manner. He was working to apply the principles from the handout to himself and thought these were good guidelines that were applicable to the whole Committee.

16. Staff Updates

Ms. Coombs referred to an informational item provided to the Committee members concerning Public Defined Contribution Funds and thought it had a lot of useful information.

Ms. Coombs also thanked LCB for all their help and support for the meetings. She also reminded the Committee she was always available to meet with them about any of the issues in the binder prior to the meetings or for any other reason.

17. Public Comment

Dr. Kent Ervin, active participant, apologized for not addressing agenda item 10 at the first public comment noting the material was not on the web or available when he came into the meeting so he was not aware of the proposed changes. In regard to NAC 287.715 it really was saying the Committee would want to follow a different procedure than the State Purchasing guidelines or statute and he wondered if they had statutory authority to not follow those statutes and why they would not follow them and have Purchasing lead the Committee through the process. He did not see how they could only use part of the statute to treat part of the RFP process as confidential. Dr. Ervin also questioned why they were changing the publication notice from 30 to 60 days.

Chair Sisco commented that one of the things that came out of the process last year was it was verified that the Program was not subject to NRS 333. The Committee did want to use Purchasing to do the RFP process but they did not want to give up their maximum flexibility to do the best thing ultimately in the best interest of the participants. He noted there were regulation handouts available at the beginning of the meeting but may have all been taken.

Dr. Ervin asked Chair Sisco to direct him to the ruling that stated the Committee was exempt from following the State Purchasing statute.

Chair Sisco remarked there was a letter issued during the request for Declaratory Order from ING last year that basically confirmed that NRS 333 was for expenditure of public funds and there were no expenditure of public funds as a result of that RFP.

Dr. Ervin stated that was not his recollection of that letter and he did not believe they ruled on that particular part.

Chair Sisco asked Ms. Coombs to forward the letter to Dr. Ervin. He noted they wanted to use State Purchasing process to be as up front as they could but from his perspective he did not want to give up the maximum flexibility so they would not write the RFP under the NRS 333.

Dr. Ervin believed that following the state guidelines and process was the way to ensure fairness to all the parties and the participants involved in the process. State Purchasing had a longstanding track record for issuing large contracts and given the discord on the Committee they would want to have Purchasing lead them through the process in the proper way rather than have the Committee set their own rules.

Mr. Davie commented on Dr. Ervin's recommendations about following the NRS. He felt the crux of the issue was whether the Committee was going to follow proven procedures using the NRS or leave it to the maximum discretion of three individuals on the Committee.

18. Adjournment

**Motion made by Vice Chair Romo to adjourn the meeting, second by Mr. Woodbury.
Motion passed unanimously.**

The meeting was adjourned at 2:08 p.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant