

Brian Sandoval
Governor

Vacant
Program Coordinator



**Nevada Public Employees'
Deferred Compensation Program**

COMMITTEE
Scott Sisco, Chair
NDOC
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, November 14, 2013

The quarterly meeting of the Deferred Compensation Committee was held on Thursday, November 14, 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
Lyra Ambrose, ING (by phone)
Jim Barnes, Zeh Law Firm
Bishop Bastien, ING
Marty Bibb, RPEN
Dana Carvin, DHRM
Shane Chesney, Senior Deputy Attorney General
Kent Ervin, UNR
Beverly Ghan, DHRM
Michael Hackett, MassMutual
Jacob Honea, MassMutual

Mary Keating, Participant
Sherri Lindloff, Nevadaworks
Ed Malone, Nationwide
Frank Picarelli, Segal Rogerscasey
Steve Platt, ING
Micah Salerno, NDC Admin Assistant
Robert Trenerry, MassMutual
Steve Watson, MassMutual
Beth Wicks, Nevadaworks

1. Call to Order/Roll Call

Chairman Scott Sisco called the quarterly meeting of the Nevada Deferred Compensation (NDC) Committee to order at 9:00 a.m., on Thursday, November 14, 2013. Roll was taken and it was determined a quorum was present. Ms. Micah Salerno indicated the meeting had been properly noticed and posted. Chair Sisco also recognized those calling in to the meeting.

2. Public Comment

Dr. Kent Ervin provided comments. Agenda item 6, complimented and expressed best wishes to Ms. Reba Coombs and he remarked on qualifications of the new Program Coordinator. Item 8, referred to Washoe County quarterly report and noted they were getting a higher crediting rate on the Hartford General Account and questioned the administrative expenses for that fund. Item 13, he felt some questions on the survey were ambiguous and thought they should be reviewed. ([Ervin Public Comments](#))

Mr. Brian Davie complimented and thanked Ms. Reba Coombs for her work with the Committee. She did not have experience with the complicated deferred compensation field but she was a quick study. The Committee lauded her recently for the boost in enrollment, she also got the newsletters back on track, helped update the website, did an excellent job with the Financial Education Days meetings, and was working on the survey. Mr. Davie thanked her for her service and did not feel she deserved how this turned out for her. He congratulated her and wished her well in her retirement. Mr. Davie also mentioned his continued concern about the General Account and wanted to see more information brought out in the open.

3. For Possible Action – Hearing to Adopt Proposed Regulation to Nevada Administrative Code Section 287 – LCB File No. RO66-13.

Senior Deputy Attorney General (DAG) Shane Chesney gave a brief summary of the NAC Workshop from September 24, 2013. The purpose of the public hearing was to explain the purpose of the proposed regulations and to take and consider any oral comments. He read the proposed updates from LCB File No. RO66-13 which incorporated changes suggested from the public. He noted the biggest change was in Section 4 which stated the Committee would conduct the RFP process in accordance with NRS Chapter 333 through State Purchasing. DAG Chesney explained that these changes would make the RFP process more clear, fair, and transparent by following NRS 333. ([LCB Reg 10-03-13](#))

Public Comment for NAC Hearing

Mr. Frank Picarelli with Segal Rogerscasey recommended that the Committee have State Purchasing play a role in the RFP Planning Meeting in January to give the Committee training on the procurement process and scoring criteria so they are all on the same page.

Chair Sisco remarked that he invited Kimberly Tarter from State Purchasing and she would be attending the January meeting.

Dr. Ervin read his public comment regarding the 2012 recordkeeper RFP process and the NAC changes and fully supported the changes to follow NRS 333. He also agreed with Mr. Picarelli's suggestion on having Purchasing involved in the next RFP process. ([NAC 287 Ervin Comments](#))

DAG Chesney questioned what suggestions Dr. Ervin had made for the revised regulations.

Dr. Ervin noted that the acronym "RFP" was used in the updated regulations at the top of page three but was never defined in the regulations so he suggested spelling it out. DAG Chesney agreed that RFP should be spelled out.

Mr. Davie appreciated Dr. Ervin's comments and noted that the next RFP process needed to be fair, unbiased, and competitive because they would be under scrutiny. The scoring process and rationale would need to be explained to support their decisions. He believed it would be important to get an overview of what it meant to follow the process through the Purchasing guidelines so it was clearly spelled out.

Motion by Vice Chair Romo to adopt the NAC Regulations, with changes as spelled out during the meeting, second by Mr. Woodbury. Motion carried unanimously.

DAG Chesney would work with staff to get the NAC Regulations processed. He understood they would go back to LCB and be put on the December schedule with the Legislative Commission. Once complete they could move forward with the SAM changes.

4. For Possible Action – Approval of Committee meeting minutes from meetings of June 6, 2013 and August 15, 2013

Motion by Vice Chair Romo to approve the June 6, 2013 minutes, second by Mr. Davie and motion passed unanimously.

Motion by Vice Chair Romo to approve the August 15, 2013 minutes, second by Mr. Davie.

Chair Sisco was concerned with there being too much detail in the minutes and wanted staff to stick with what the statutes required.

Vote for motion was unanimous.

5. Notification of recent Governor's appointments to the Nevada Public Employee's Deferred Compensation Program Committee.

Chair Sisco mentioned the reappointments of Member Sisco and Member Romo.

Ms. Oliver congratulated both for their reappointments and thanked them for their service.

Chair Sisco appreciated the reassuring support from the Governor's office and the public.

Vice Chair Romo thanked individuals for their support.

6. For Possible Action – Discuss and provide approval to move forward with Program Coordinator recruitment.

Chair Sisco requested Department of Personnel to post the job announcement as it was done previously. When the position was filled last time there was discussion to fill with an executive

level, administrative level, or a part-time position. The Committee decided to fill it with an administrative level person and he believed it worked fairly well. He asked Ms. Carvin to explain how the hiring process would work.

Ms. Dana Carvin with Division of Human Resource Management noted the position announcement opened November 4th and was due to close November 21st unless the Committee decided to keep it open longer. Their department would evaluate the applications received for the minimum qualifications and would test those who qualified. A list of people who passed the test would be given to the Committee and their office would schedule interviews and assist with the interview process. Ms. Beverly Ghan was introduced and would be serving as the recruiter for the announcement.

Chair Sisco inquired if the Committee wanted to proceed as they did last time or make any changes.

A discussion ensued with the Committee and Ms. Carvin on how to proceed with hiring, what type of requirements were necessary, what level of experience was required and how much flexibility was available. The Committee decided to continue with the process until they believed they had enough viable applicants to proceed with an interview.

Motion by Vice Chair Romo to continue with the Program Coordinator recruitment but change the recruitment date to "until further notice," second by Ms. Oliver.

Ms. Carvin indicated they would leave the recruitment open until further notice and the Committee had the flexibility to appoint or set up an interview at any time during the open recruitment.

Mr. Davie noted he would not vote for the motion because he favored having the executive level position that the Legislature originally approved for professional management for the Program.

Vote for motion passed 4 – 1 with Mr. Davie voting against.

7. For Possible Action – Review and discussion of salary level for part-time contract clerical staff position.

Chair Sisco explained the three items regarding this agenda item:

1. Possibly providing the 2.5% pay cut that was returned to state employees as of July 1, 2013.
2. A temporary pay increase for taking on additional duties while Program Coordinator position is vacant.
3. Whether the position is appropriately classified.

The Committee discussed the salary request from staff to evaluate a possible pay raise. They wanted to be sensitive to frozen state salaries and merit increases and believed it would be good to have personnel look at the job classification once the Program Coordinator position was filled. They were in support of a short-term increase while staff assumed extra duties and the 2.5% that other employees received. It was difficult to compare the position because it was unique and not a permanent state position. The recommendation was to give the 2.5% increase retroactive to July 1, an additional \$2 per hour until the Program Coordinator position was filled, and then have personnel look at duties at a later time.

Motion made by Vice Chair Romo to give the Administrative Assistant a 2.5% pay increase retroactive to July 1, 2013 and a \$2 per hour increase effective November 14, 2013 and until the Program Coordinator position was filled. Second by Ms. Oliver, motion carried unanimously.

Mr. Woodbury suggested they look at making the part-time position a permanent state position during the next biennium budget process.

Vote for motion passed unanimously.

Chair Sisco thanked Department of Human Resources for attending the meeting and providing assistance.

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

Mr. Picarelli presented his quarterly report on the third quarter (3Q) 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 3Q ending September 30, 2013 showing the NDC Program total assets were \$638.7 million which was an increase of \$20 million or 3.2%. The majority of Plan assets, \$307.7 million, were invested in the Stable Value Funds representing \$279.9 million or 44% in the Hartford General Account and \$27.8 million or 4% in the ING Stable Value Account. Individually, MassMutual assets totaled \$519.7 million, increasing \$16.2 million or 3.2% with 54% of assets in the Hartford General Account and 3% in lifecycle funds. ING assets totaled \$119 million, increasing \$3.8 million or 3.2% with 23% of assets in the Stable Value Fund and 35% in lifecycle funds. ([3Q 2013 Segal Performance Review](#))

Mr. Picarelli thanked Dr. Ervin for researching the State Street Bond Fund and noted that after speaking with MassMutual the expense ratio was actually 8 basis points, not 6 basis points. State Street added 2 basis points for general administration of the fund. The fund would not generate any revenue sharing for the Plan.

Pages 21 – 23 showed the structure and type of funds offered with the Plan. Mr. Picarelli remarked that participants should be informed regarding the fees of the funds in the Program.

Pages 28 – 29 indicated the revenue sharing analysis for both recordkeepers showing a shortage on the ING side but with the current structure everything was in line to cover the deficiency.

Mr. Picarelli also covered plan activity and asset allocations on pages 30-46 of his report.

Mr. Davie inquired if the Program would need to use the “put option” to have the General Account funds available for the end of the contract.

Mr. Picarelli stated he would look into that so they followed proper exit provisions to have liquid assets by the end of the contract. Written notice would need to be given prior to January 1, 2014.

Mr. Picarelli addressed the Watch List on page 26

9. For Possible Action – Receive and approve the Investment Consultant’s Fund Watch List for the third quarter ending September 30, 2013.

Mr. Picarelli referred to page 26 of the Performance Review and recommended retaining all funds on the Watch List from last quarter as well as adding American Funds Capital World Growth and Income due to underperformance of the benchmark over the 3 and 5 year periods.

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
American Funds Capital World Growth & Income (ING)	Placed on Watch

Motion by Vice Chair Romo to accept the recommendations on the Watch List, second by Ms. Oliver. Motion carried unanimously.

Motion made by Vice Chair Romo to accept the Investment Consultant’s Performance Review dated September 30, 2013, seconded by Ms. Oliver and motion passed unanimously.

10. For Possible Action – Receive and approve plan activity and administrative update from MassMutual for third quarter ending September 30, 2013.

Mr. Trenerry presented the third quarter report from MassMutual. ([MassMutual 3Q Report](#))

Chair Sisco inquired if they could look at numbers from a decade or generation ago to see if fewer younger people were participating now in comparison.

Chair Sisco encouraged the recordkeepers to go to PERS meetings to help keep people in our program educated on the benefits of staying in the plan.

Mr. Bill Abramowicz commented on the large number of participants in the General Account and noted they would work on getting some educational information out about asset allocation and diversification. He also agreed that educating retiring PERS employees was an excellent opportunity for both recordkeepers. Mr. Abramowicz addressed a class action lawsuit which was filed against MassMutual on behalf of former participants in the MassMutual Thrift Plan (401k). The suit only involved the Thrift Plan and he shared the public media statement from MassMutual. They did not anticipate the situation to have any material impact to their clients throughout the country including State of Nevada. Mr. Abramowicz mentioned an upcoming webinar and invited participation and he also announced that MassMutual was setting up a corporate office in Phoenix and they anticipated extended call center hours.

Motion to accept the MassMutual quarterly report as of September 30, 2013 made by Vice Chair Romo and seconded by Mr. Woodbury. Motion carried unanimously.

Break for lunch.

11. For Possible Action – Receive and approve plan activity and administrative update from ING for third quarter ending September 30, 2013.

Mr. Bishop Bastien gave a brief update on the transition to Voya which would start being rolled out in the second quarter of 2014.

Mr. Steve Platt commented on a lawsuit filed against ING in 2011 which mainly involved ERISA plans but was still ongoing so he could not provide much information. August 23rd the FICA Plan fund change took effect and the \$1 fee per month per participant for accounts over \$25 started in October. The Morningstar Managed accounts feature became available and informational emails and sessions were presented to inform their participants. Mr. Platt presented the third quarter report from ING. ([ING 3Q Report](#))

Ms. Oliver inquired about contribution limits for 2014.

Mr. Platt remarked that the 457 limits were the same in 2014 as in 2013.

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

12. For Possible Action – Discussion and possible approval of proposed contract with CliftonLarsonAllen LLP for financial audit.

Chair Sisco commented about the Financial Audit on when it would start and how often it needed to be performed.

Mr. Picarelli noted that the new pricing proposal was guaranteed for 3 years and was not contingent on having the audits done consecutively. The auditors looked at the program as one plan and would do random sampling of payroll locations. It was important to have on record that everything was done correctly and to keep integrity it would be appropriate to have the audit done annually. The \$25,000 annual fee was competitive and it was considered best practice in the industry to have a financial audit completed every year.

Chair Sisco proposed putting a two year contract together starting with auditing of fiscal year 2013 and then they could revisit it after that time. They could write into the contract an approval to extend it for two additional years.

Mr. Picarelli stated the Program would need to provide the required contract and add a scope of services with the terms and pricing.

Motion made by Mr. Woodbury to authorize the Chair to work with Investment Consultant Mr. Picarelli to negotiate, put together, and sign a contract to go to the Board of Examiners in the amount of \$25,000 per year for two years with an allowance to extend for two additional years for a financial audit to start with fiscal year 2013 ending June 30, 2013. Motion seconded by Vice Chair Romo and carried unanimously.

13. For Possible Action – Discussion and possible approval for plan to move forward with participant survey prior to development of Recordkeeper RFP.

Chair Sisco discussed the ongoing development of the survey. He believed the survey should find out what was most important to participants to assist them in crafting the recordkeeper RFP. The Committee needed to agree upon a list of items that were most significant to include for the RFP and they could postpone some of the other items for a later survey. ([2013 Survey](#))

A long discussion ensued between the Committee, Mr. Picarelli, recordkeepers, and DAG Chesney. They determined they needed to have useful questions but should provide a brief summary of explanation so participants had a basis for answering.

DAG Chesney noted that three questions kept surfacing so suggested using those questions with an explanation of pros and cons for each. The questions were: whether to have 1 or 2 recordkeepers, stable value versus general account, and the loan issue.

There was a general agreement to have the survey as small as possible so as not to repeat information from the 2012 survey.

Motion made by Vice Chair Romo to allow Chairman Sisco to work with Mr. Picarelli, recordkeepers, and DAG Chesney to put a survey together. Motion seconded by Mr. Davie and passed unanimously.

14. For Possible Action – Receive and approve amendments to existing Interlocal Agreements with alliance partners.

When the current contracts with the recordkeepers were extended to expire on December 31, 2015, the existing Interlocal Contracts with the alliance partners were never updated to reflect that extension. Staff sent out an amendment to 40 alliance partners to extend their contract with the program until December 31, 2015. The amendments were returned and three of the alliance partners had minor wording changes which they had approved through DAG Chesney.

Motion by Vice Chair Romo to approve the amendments to the alliance partner contracts. Motion seconded by Mr. Woodbury and carried unanimously.

15. For Possible Action – Receive and approve Interlocal Agreement with Board of Occupational Therapy as an alliance partner.

Chair Sisco explained that the Board of Occupational Therapy recently contacted the NDC office to inquire about joining the program.

Motion by Vice Chair Romo to approve the Board of Occupational Therapy to join the Nevada Deferred Compensation Program, second by Mr. Woodbury. Vote was unanimous.

16. Report on NAGDCA Conference. (NAGDCA Highlights)

Mr. Woodbury commented on the NAGDCA conference he attended and felt it provided invaluable information.

Vice Chair Romo also attended the conference and believed it was worthwhile and suggested that the Committee should continue attending with at least two people each year.

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

Ms. Oliver had a conflict with the January meeting dates and asked if they could be moved to January 16 and 17.

Mr. Picarelli requested the February meeting date be moved to February 19 or 21.

DAG Chesney would check for availability to hold the Planning Meeting in the Mock Courtroom at the Office of the Attorney General.

Motion by Mr. Davie to change the January meeting dates to January 16 and 17, 2014 and the February meeting to February 19, 2014. Mr. Woodbury seconded the motion and it passed unanimously.

Comments/Updates

15. Public Comment

Dr. Ervin commented on a previous meeting where it was mentioned that NDC may not have been subject to NRS 333 as a using agency. He stated that NDC was a public body for both open meeting law and purchasing statutes and hoped that issue would be put to rest. He remarked on the number of emergency withdrawals for medical reasons. Dr. Ervin also mentioned the NSHE survey that UNR helped create and noted that UNLV had a survey center to assist with development and design of surveys. He encouraged the Program to include a financial report at their meetings to show where they were with their finances.

14. Staff Updates

Ms. Salerno provided total numbers for the Financial Education Days participation. She also noted she would continue to assist in sending out mass emails for participant communication and was planning to prepare the winter newsletter in December.

13. Committee Members

Mr. Davie commented on the Open Meeting Law complaint he filed regarding Clark County's RFP process and was surprised at the information he obtained. He appreciated the work the AG's office did to answer his questions. He remarked that it would be beneficial to invite NSHE to the RFP meeting to get an overview of their process and results from their RFP process as well as getting an overview from State Purchasing to assist the Committee with their RFP process. On a personal

note he regretted when the discussions were negative and it was not his intent but he felt strongly about certain issues and wanted to get his point across. Finally, he noted there was a provision in statute NRS 241.035 1 (e) that allowed for Committee members to request certain material to be included in the minutes and he did request detail sometimes so the participants could be aware of certain issues and he hoped there would continue to be substance in the minutes.

Ms. Oliver appreciated Mr. Davie's opinion and clarification on the arguments and encouraged him to be more kind in his approach.

Vice Chair Romo noted that he forwarded an email regarding federal tax code changes and remarked that it was something they should be looking out for and asked if the recordkeepers could provide an update at the next meeting. He also commented on his participation in a NAGDCA webinar on best practices and acknowledged a newspaper article on retirement issues by Dr. Ervin.

Chair Sisco stated he was very happy to get the Program under State Purchasing for the RFP and it should give a clear view for the recordkeepers of what to bid on. He contacted State Purchasing and learned the Committee would still be able to receive "best and final" offers and they would have the ability to extend their contract if there was a downturn in the economy. He believed the Committee was moving in the right direction.

14. Adjournment

The meeting was adjourned at 3:08 p.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant