

Brian Sandoval
Governor



Rob Boehmer
Program Coordinator

COMMITTEE
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NDOC
Carlos Romo, Vice Chair
Retired
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Karen Oliver
GCB
Steve C. Woodbury
GOED

Shane Chesney
Senior Deputy Attorney General

**Nevada Public Employees'
Deferred Compensation Program**

**DEFERRED COMPENSATION COMMITTEE
PLANNING MEETING MINUTES FOR
Wednesday, January 16, 2014 and
Thursday, January 17, 2014**

The special meeting of the Deferred Compensation Committee was held on Thursday, January 16, 2014 at 9:00 a.m. and Friday, January 17, 2014 at 8:00 a.m. in the Mock Courtroom at the Office of the Attorney General, 100 N. Carson Street, Carson City, Nevada.

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.nv.gov/Meetings/2014/>.

COMMITTEE MEMBERS

Brian Davie
Karen Oliver
Steve Woodbury
Carlos Romo, Vice Chair
Scott Sisco, Chair

OTHERS PRESENT:

Bill Abramowicz, MassMutual
Jim Barnes, CR Zeh Law
Bishop Bastien, ING
Marty Bibb, RPEN
Rob Biló, Nationwide
Rob Boehmer, NDC Program Coordinator
Shane Chesney, Senior Deputy Attorney
General
Steve Ebert, Nationwide
Kent Ervin, Participant
Shelley Fredrick, ING

Michael Hackett, MassMutual
Michael Hillerby, Kaempfer-Crowell/ING
Amy Humphrey, MassMutual
Brian Merrick, ING
Kim Perondi, State Purchasing
Frank Picarelli, Segal Rogerscasey
Steve Platt, ING
Leonard Quimby, Planwell Associates
Micah Salerno, NDC Admin Assistant
Robert Trenerry, MassMutual
Steve Watson, MassMutual

1. Opening Remarks/Roll Call

Chairman Scott Sisco opened the planning meeting at 9:05 a.m. Mr. Rob Boehmer took roll and determined a quorum was present and confirmed the meeting was properly noticed. Chair Sisco discussed the layout of the meeting and noted the meeting was a "hybrid" meeting because there were some action items as well as items for discussion. It would be informal and everyone was encouraged to be involved.

2. Public Comment

Thank you, Mr. Chairman and members of the Committee. My name is Kent Ervin, E-R-V-I-N. My comments are for the record, please. ([Public Comment](#))

I am an active participant in the Nevada Deferred Compensation program. A substantial portion of my retirement savings is invested in the 457 plan. I cannot access those funds until I retire, so the future of the program is important to me. I have submitted written comments about specific agenda items, but because of the limited time for public input, I will only make general remarks now.

As an investor primarily in indexed mutual funds, my major concern is keeping investment management fees low and recordkeeping fees low. Currently, the recordkeeping expenses are covered by revenue sharing on a percentage basis. The cost of recordkeeping for an individual participant does not increase greatly as his or her savings grow toward requirement, but the amount paid as a percentage keeps going up and up. That's not a fair distribution of costs, especially when various funds have different revenue sharing rates. The Committee should consider a flat per-participant charge, with zero revenue sharing retained by the recordkeepers, as a more fair way to distribute administrative costs. But if you don't choose to go in the direction of uniform fees, then continuing the subsidization of recordkeeping expenses by profits from a General Account is favorable for mutual fund holders like me.

The most important aspect of the RFP is achieving a recordkeeper contract in the best interest of participants by conducting a process that is truly fair and competitive, both in perception and reality. The withdrawal of the 2012 RFP resulted in aggregate losses to participants of \$1.9 million in 2013 alone compared with the highest-scored proposal. NDC participants cannot afford to have that happen again. If the next RFP is not successful, the liability for the Committee as fiduciaries could be severe. The next RFP must be clean and the State Purchasing process must be followed in letter and in spirit. Incumbents have a natural advantage, but they shouldn't have an unfair advantage. As Committee members you must demonstrate your impartiality in deed as well as words. One way would be to commit now to investing some of your own funds with each of the two incumbents. I challenge each of you to do so.

Thank you for the opportunity to provide input. I would be happy to answer any questions.

Mr. Steve Watson, retired State employee, former NDC member and active in Retired Public Employees of Nevada (RPEN). RPEN stated they liked having a choice and the options offered and would like to keep both current recordkeepers. He declared he was speaking for himself and not representing RPEN, and also noted he was a consultant with MassMutual.

3. Update on Participant Survey

Mr. Boehmer briefly explained about the email that was sent out for the internet survey and the preliminary results so far. He also remarked that a printed version was being sent out to retired or terminated participants. ([Supporting Material, pp. 6-7](#))

Mr. Robert Trenerry with MassMutual suggested that MassMutual and ING reach out to retired and terminated employees to obtain email addresses so some communication could be sent through email rather than having to be mailed out.

The internet survey would remain open until February 15, 2014.

Mr. Boehmer indicated he would summarize the survey results and comments at the February 19, 2014, quarterly meeting.

4. Brief Report on Program Coordinator Activities to date

Mr. Boehmer gave a brief summary of his first two weeks as Program Coordinator which included reviewing plan documents and contracts and starting to develop an annual plan. He noted that after looking at the unforeseen emergency hardships he believed they should address how those were processed.

There was a conversation between the Committee, recordkeepers, and Mr. Boehmer and it was determined that Mr. Boehmer would bring any plan revisions or changes to the February 19, 2014 quarterly meeting for discussion or approval.

5. For Possible Action – RFP and Potential New Contract Planning Process

a) Presentation from Investment Consultant on recent and successful RFP processes for Deferred Compensation Plans

Mr. Frank Picarelli with Segal Rogerscasey spoke about the Request for Proposal (RFP) process. He remarked that a well-crafted RFP would have many questions and it would need to paint a picture on how our Program was designed – demographics, allocation, where the money sits. This would help the Committee understand who would be the best partner for the Plan. The goal was for vendors to look at the data so they could make an informed decision on how they staff and if it was adequate, and where there might be issues. Success in an RFP process was knowing the design and going in with a uniform, specific plan design. Plans that had a procurement process to control the bid(s) were more intact. Procurement would coordinate with proposers, answer questions, and give the process to score the RFP.

Mr. Picarelli referred to the Project Schedule to give a general idea of the assignments of responsibilities and duties for the vendor search. The goal would be to have a vendor selected by July 2014. Mr. Picarelli would write the scope of service and assist with RFP questions which would be built into the state procurement document with Purchasing. Potentially the RFP would be released in February with vendors needing one month to respond. The pricing of the proposals would be separate so scoring of vendors was done on overall value of services, quality of the organization, then finalist presentations followed by evaluating pricing. ([Supporting Material pp. 86-87](#))

Mr. Brian Merrick with ING noted that six to eight weeks was a more realistic time for vendor response.

Mr. Picarelli reviewed and discussed the Evaluation Matrix that would help structure the RFP to get the information the Committee needed. ([Supporting Material pg. 65](#))

b) Presentation from the State Purchasing Division on how they would proceed with the RFP process for the Recordkeeper bid

Ms. Kimberley Perondi with State Purchasing explained the role of State Purchasing which was to facilitate the RFP process in compliance with NRS 333 and act as the sole point of contact on behalf of the Committee to administer the process. The process included development of the RFP which would be released for 4-6 weeks including time for questions and answers. Those questions and answers would be issued as an amendment and become a part of the

terms and conditions of the contract. The evaluation process would look at technical proposals without consideration of cost, vendor presentations could be included in the scoring and pricing would be looked at last. A scoring sheet would be developed on the technical side and once the Committee did their scoring, Purchasing would tabulate the scores and the highest scoring vendor would receive a letter of intent to start contract negotiations.
([Supporting Material pp. 35-55](#))

Ms. Perondi, the Committee, and Mr. Picarelli continued their discussion on how Purchasing would facilitate the RFP process including forming an Evaluation Committee, factors that would determine the weighting and scoring, fiduciary responsibility of Committee members, best and final offers, and how all this fit in with Open Meeting Law.

Mr. Bishop Bastien with ING questioned if the Committee had considered going out for Request for Information (RFI) for existing vendors or extension of the current contracts. The program went out to bid in 2012 meeting their statutory requirement so it may not be necessary to go through the RFP process.

Chair Sisco summarized the three options the Committee was considering: using Purchasing and the Program's Investment Consultant for the RFP, doing the RFP on their own with their Investment Consultant, or looking into extending the current contracts.

Break for lunch.

Chair Sisco recapped the three options regarding this agenda item and suggested to remove the option of doing the RFP on their own with their Investment Consultant.

After discussion regarding possible contract extension Chair Sisco stated that item was not on the agenda so they could put an item on the February 19, 2014 agenda for discussion.

c) Discussion of fee paid to Investment Consultant for handling of RFP, and/or how that might be affected by State Purchasing Division handling the RFP process

The Committee discussed the fee paid to Investment Consultant, Frank Picarelli, and determined it was a fair price especially considering it would cause more work for him in working with Purchasing on creating the RFP. ([Supporting Material pp. 56-57](#))

d) Unique variable relative to a Recordkeeper RFP

1) Response time – 30 or 60 days?

Ms. Perondi noted the minimum response time was 4 weeks but 6 weeks was reasonable.

Mr. Picarelli stated that the due date would be given up front and recommended using 6 weeks.

2) Best and final offers

Mr. Davie commented that best and final offers were only for finalists. There were good arguments on both sides to accept them or not but it could result in a better offer for participants.

Ms. Perondi remarked that they could leave the language flexible and have best and final offers available to finalists but specify what it could include.

The Committee were in agreement to include best and final offers as an option.

3) The investment Consultant role

Mr. Picarelli would work with Purchasing to put the RFP together, get information from vendors, and help assemble responses. When the RFP responses came back he would do a spreadsheet to breakdown administration (number of plans, number of accounts, client retention statistics, credit rates, etc.) and come up with distinguishers/qualifiers through general observations.

Ms. Perondi noted that Mr. Picarelli would provide analysis that would be passed to the Evaluation Committee to score proposals but he would not participate in the decision. Purchasing would receive all the proposals and distribute them to the Evaluation Committee and Mr. Picarelli. Each evaluator would receive a packet of material with instructions and score sheets with the technical proposal. They would independently review the proposals and score them, then they would meet together to discuss and have an opportunity to revise their scores. Purchasing would collect the technical scores and then distribute the cost sheets to review. Mr. Picarelli could provide a spreadsheet to explain the fees and be involved as a resource to answer questions about the cost proposals.

4) The final presentation and scoring

Ms. Perondi stated there could be finalist presentations. If they were weighted they would be confidential and in a closed meeting.

The Committee agreed it would be best to have the finalist presentations behind closed doors. There would be two meetings, one for the technical and pricing scoring, and the second for finalist presentations with best and final offers.

DAG Chesney suggested it would be beneficial for the Committee to decide if they wanted to go with one or two recordkeepers before putting out the RFP, and recommended putting this as an Action Item for the February Committee Meeting.

5) Recordkeeper references

Ms. Perondi noted that Purchasing had a template to collect references. The vendors send the forms to their choice of clients to provide a reference, and those forms would be returned to Purchasing.

6) What is discussed behind closed doors and what is not?

Ms. Perondi stated there would be a confidential meeting before the RFP was released to determine the weighting factors followed by the other two closed door meetings discussed earlier for technical/pricing scoring and final presentations.

7) Loan provision ([Supporting Material pg. 59](#))

Mr. Picarelli noted that loans could be done by any vendor so the decision had to be made on the administrative side of how to administer the loans and set up repayment (payroll or ACH). They could add a fee to the loan to cover administrative costs. The loan item would be part of the RFP.

Dr. Ervin remarked that NSHE did loans and charged \$50 to administer them but it did not cover realistic costs. He also noted that the default rate was very high.

e) Scoring the RFP – What is important to the Plan?

The Committee, Mr. Picarelli, and Ms. Perondi discussed methods and requirements for scoring.

Mr. Picarelli believed the evaluation matrix he provided was a good baseline and the Committee could decide the weighting factors at their first Evaluation Committee meeting. The six main categories were: Organization and History, Participants Services/Field Service Representatives, Stable Value, Cost Structure/Vendor Fee, Overall Responses and Compliance with RFP, and Client Service/Quality Assurance. ([Supporting Material pg. 65](#))

1) One Recordkeeper or multiple – including advantages and disadvantages

Mr. Picarelli noted that almost 95% of plans had a single provider and he felt it was a better structure because it simplified the experience for participants and provided better pricing.

DAG Chesney advised the Committee to take a vote at the February 19, 2014 meeting to decide whether they will go with one or two vendors.

2) General Account versus Stable Value Account

Mr. Picarelli had a conversation about general accounts and separate accounts and recommended the RFP have a request for vendors to bid on both of those stable value options.

Chair Sisco summarized the direction from the Committee to Mr. Picarelli on crafting the RFP. Write it with a single vendor in mind and they would make a final decision at the February meeting. Mr. Picarelli would also draft the RFP with the request for vendors to propose both a general account and a separate account.

Meeting was closed at 4:32 p.m. and would resume January 17, 2014 at 8:00 a.m.

Chair Sisco opened the meeting at 8:04 a.m. on January 17, 2014 and roll was called. Mr. Bohmer confirmed there was a quorum and stated the meeting had been properly noticed.

Chair Sisco recapped the information they had covered on the draft RFP from the January 16 meeting. Mr. Picarelli would draft an RFP for a single vendor with the possibility that it may become a multiple vendor request, the loan provision would be included, best and final offers would be received, the bid should be for both a general account and a separate account and the RFP response time would be 45 days.

Mr. Picarelli confirmed he would work with Purchasing to provide a draft RFP possibly by the February 19, 2014 meeting.

Ms. Perondi reviewed the material that would need to be confidential during the RFP process: the draft RFP, Evaluation Committee criteria and weights, evaluation of proposals, finalist presentations, and discussion of proposals and information.

3) Balancing enthusiasm for obtaining our contract against a just and reasonable track record and/or experience levels (what should our minimum requirements really be?)

Because of the confidential information that would be covered by this agenda item there was no dialogue. The minimum qualifications would be included in the draft RFP.

- 4) Weighing the items contained within the RFP (costs versus services, etc.)
This agenda item was also confidential so no discussion was allowed.
- 5) What really needs to be included in the RFP (what's "fluff"-what's not)
Mr. Picarelli would structure the RFP to be more of a checklist and his report would highlight unique parts of the responses to streamline the process. This simplified the procedure while still fulfilling due diligence.
- f) Presentation from Investment Consultant on cost sharing, RFP investment consultant costs, and how they are worked into RFP and final contract
Mr. Picarelli covered his PowerPoint on fees and fee disclosures. The Investment Management fee and Administrative fees were the two largest fees to evaluate. Fees were paid by participants through revenue sharing funds, but not all the funds in the Plan had revenue sharing. There would be a question on the RFP to see if the vendors were capable of doing a revenue neutral fee structure. ([Supporting Material pp. 8-34](#))
- g) Presentation from Investment Consultant on the issue of "wrapping" or insuring the general funds as allowed for by previous legislation
Mr. Picarelli explained if the Stable Value Fund was filed with the State of Nevada Insurance Department, participants with account balances in the Fund could be protected up to \$250,000. This was contingent on the type of account and if it was filed as a funding agreement or as an annuity contract.

Mr. Trenerry indicated that the Hartford General Account was a funding agreement and the Guaranty Association was based on a group annuity agreement.

Chair Sisco noted they would take some agenda items out of order.

- i) Discussion on how participants accounts would be changed to the new investment lineup
Mr. Picarelli stated if there were no changes to the current variable funds then there would be no changes for participants. Changes in the General or Separate accounts funds would be mapped to a like investment with the same asset class. There would have to be education to participants on how those fund changes would be done.
- j) Educating the participants on the potential changes (participant education seminars)
Mr. Picarelli noted that in the fall communication would go out where the vendor(s) introduced new funds, expense ratios, changes etc. They explain there will be a cutoff date before the changes take effect, and participant level transaction could not be done for a few weeks. Wholesale money would be moved in aggregate to new vendor(s) and money would stay in the fund until the last day of the contract and then would be transferred on the first business day of the new contract. The funds would not be available for changes for a few weeks. There would be a blackout or quiet period (usually a 3-4 week process) when the current recordkeeper shuts down and the new one(s) take over.

Mr. Platt remarked that the new vendor(s) would build a transition team, a booklet would be provided to explain everything and a lot of meetings would be scheduled to accommodate changes.

Dr. Ervin commented that the payroll centers would need plenty of lead time to prepare for the new vendor(s)

h) Timelines for the RFP, Contracting Process, and Transition

Mr. Picarelli provided a timeline and would populate with accurate dates. ([Supporting Material pp. 86-87](#))

Ms. Perondi went over some general dates for the timeline: draft RFP by February 15, release RFP in March for 45 days, proposals due in April, and finalist presentations in May. She noted they should try to get the contract on the August or September Board of Examiners meeting.

Chair Sisco stated they would set a more definite timeline at the February 19, 2014 meeting.

Motion made by Vice Chair Romo to instruct Frank Picarelli, Investment Consultant, based on information he received from the planning meeting, to put a draft RFP together, understanding the draft would be reviewed and finalized by the Committee. Motion seconded by Mr. Woodbury and passed unanimously.

6. Various methods for reporting and allocating program costs

Chair Sisco mentioned the differences in how the current recordkeepers were each billed, and wanted to move away from the inconsistency in the future.

Mr. Picarelli indicated that ING paid a flat \$90,000 for their portion, and MassMutual paid a portion of the \$427,000 program costs based on the percentage of assets they had in the program.

7. Goals for 2014

a) Participant enrollment numbers

Chair Sisco commented that he remembered something in the last bid process that guaranteed an increase enrollment, or the vendor would pay a penalty.

Mr. Merrick noted that good questions to include in the RFP asked about diverse cultural demographics and how the vendor(s) would reach out to them.

b) Review of Alliance Partnership Criteria/Participation

The Committee indicated the Mr. Picarelli should include the number of participants in the Alliance Partner (political subdivisions) in the RFP so they factor that in the pricing.

c) NDC Website Management and Maintenance

Vice Chair Romo requested that the recordkeepers use as simple terms as possible on their websites and in communications.

d) Participant Financial Education Days

Everyone was in agreement that the Financial Education Days were very successful and wanted to see them continue.

e) Plan Document Updates

No discussion on this item.

8. For Possible Action – Building the 2016/2017 Budget/Legislative Request

a) Do we make permanent changes to Executive Director versus Program Coordinator position

Mr. Woodbury suggested to keep everything the same for now for flexibility.

The Committee were in agreement to leave it for now.

b) Do we do anything with support staff position (contract versus State FTE)

Chair Sisco explained that the current support staff position was a contract position and inquired if the Committee would like to look into making it a State position. The three questions they needed to answer were: do they want to change the position, at what level would it be, and what FTE percentage.

Chair Sisco recommended to put in the budget for a .60 FTE position at Administrative Assistant 3 level contingent upon Legislative approval and Department of Administration Division of Human Resource Management doing a study.

Mr. Woodbury noted it could be an unclassified level, but have it similar to other agency titles in administrative support.

Chair Sisco proposed to put this on the February 19, 2014 meeting agenda and have Mr. Woodbury look at classifications and make a recommendation for level and class of position.

c) Any legislative needs?

The recordkeepers recommended building in a site visit in the future.

Chair Sisco asked ING and MassMutual to bring information about a site visit to the February 19, 2014 meeting.

There was no motion on this agenda item since the Committee deferred the items for the February 19, 2014 meeting.

9. For Possible Action – State Administrative Manual (SAM) Changes Needed

Chair Sisco reviewed the suggested changes for the SAM manual. ([Supporting Material pp. 100-102](#))

Motion by Vice Chair Romo to accept the changes to the State Administrative Manual as published, seconded by Mr. Davie. The vote for the motion carried unanimously.

10. New requirements for posting meetings on State Department of Administration Website

Mr. Boehmer provided a memo outlining the new requirement for posting meeting notices with Department of Administration. ([Supporting Material pg. 103](#))

11. Discussion on Committee operations including Program Coordinator's role in recapping minutes, conducting meetings, etc.

Chair Sisco commented on the NRS requirements for meeting minutes and noted that Committee members could request items to be included in the minutes. After Ms. Salerno prepared the minutes Mr. Boehmer would go through the draft minutes pursuant to statute before circulating them to the Committee. ([Supporting Material pg. 104](#))

Closing Comments

12. Investment Consultant/Recordkeepers

Mr. Trenerry thanked the Committee for allowing their participation and believed a lot of good things came forward. He looked forward to a productive year ahead.

Mr. Bastien echoed the thanks for welcoming their participation and appreciated the opportunity to be part of that type of forum.

Mr. Picarelli felt it was a great two days and noted he was there to help with the process and was certain it would work out well.

13. Sr. Deputy Attorney General
No comment.

14. Committee Members
Mr. Davie remarked that he was still learning and had plenty to learn.

Chair Sisco commented that the Committee did great when they put the past behind them and was encouraged by the conversation from the last two days. He was surprised in learning how the RFP process would go with Purchasing and that in reality there was less transparency.

15. Staff
Mr. Boehmer thanked everyone for working with him, and he was excited to go through the RFP process with our excellent Plan.

16. Public Comment
Mr. Watson felt it was a great meeting and RPEN was interested in getting the link for the survey to provide to the retirees.

Dr. Ervin remarked it was a productive meeting although no firm decisions had been made. It was a good thing to have a confidential RFP process, but it was a little unusual to have incumbent recordkeepers at the planning meeting. He reminded the Committee that behind closed doors they should have the participants in mind, and that once the confidential meetings started the Committee could not speak to anyone about the RFP process. Dr. Ervin also noted that he would like to see the Plan move to more transparency on fees. He appreciated the opportunity to provide input.

17. Adjournment

The meeting was adjourned at 11:52 a.m.

Respectfully Submitted,

Micah Salerno
Administrative Assistant