

Brian Sandoval  
Governor



Rob Boehmer  
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**

**Wednesday, February 19, 2014**

The quarterly meeting of the Deferred Compensation Committee was held on Wednesday, February 19, 2014 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>.

COMMITTEE MEMBERS

Brian Davie (from Las Vegas)  
Karen Oliver  
Steve Woodbury  
Carlos Romo, Vice Chair  
Scott Sisco, Chair

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OTHERS PRESENT

Stephanie Allen, Kaempfer Crowell	Amy Humphrey, MassMutual
Jim Barnes, Zeh Law Firm	Michael McAtamney, TIAA-CREF
Bishop Bastien, ING	Frank Picarelli, Segal Rogerscasey
Rob Boehmer, NDC Program Coordinator	Steve Platt, ING
Shane Chesney, Senior Deputy Attorney General	Micah Salerno, NDC Admin Assistant
Jack Crawford, Participant	Robert Trenerry, MassMutual
Merrill Desrosiers, ING (by phone)	Tom Verducci, MassMutual
Blake Earl, TIAA-CREF	Steve Watson, MassMutual
Michael Hackett, MassMutual	

1. Call to Order/Roll Call

Chairman Scott Sisco called the quarterly meeting of the Nevada Deferred Compensation (NDC) Committee to order at 9:06 a.m., on Wednesday, February 19, 2014. Mr. Rob Boehmer took roll and determined a quorum was present with Mr. Brian Davie attending in Las Vegas. Mr. Boehmer indicated the meeting had been properly noticed and posted. Chair Sisco recognized those calling in to the meeting.

2. Public Comment  
Mr. Davie apologized for not attending the meeting in person as was his original plan.
3. For Possible Action – Approval of Committee meeting minutes from meetings of November 14, 2013 and December 18, 2013. (Supporting Material pp. 4-18)  
Chair Sisco noted two changes to the November 14 minutes. On page 3, item 6 on the last line, it should read “When the position was filled last time there *was discussion* to fill with an executive level...” and on page 7, item 12, third paragraph should read “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.”

**Motion by Vice Chair Carlos Romo to approve the November 14, 2013 minutes as amended. Second by Mr. Davie and motion passed unanimously.**

There were no comments or changes on the December minutes.

**Motion by Vice Chair Romo to approve the December 18, 2013 minutes, seconded by Mr. Steve Woodbury. Motion carried unanimously.**

4. For Possible Action – Per NRS 287.330, 1. The Committee shall: (a) At its first meeting each year, designate one of its members to serve as Chair of the Committee for a term of 1 year or until the Chair’s successor has been designated. Additionally the Committee will designate a Vice Chair. (Supporting Material pg. 19)  
Ms. Karen Oliver recommended having no changes as she was satisfied with the current Chair and Vice Chair if they were willing to serve.

Mr. Davie nominated Mr. Steve Woodbury as chair in the interest of rotating chairmanship.

Mr. Woodbury appreciated the gesture, but supported the current chair and vice chair especially because of the upcoming RFP process. He would welcome the opportunity to serve as chair at a later date. He believed the Committee had made great progress, and were on a positive path so did not feel it was the right time to change.

Chair Sisco was encouraged by the last few meetings and the direction the Committee was going. He remarked that Mr. Woodbury made a good point about the challenging year ahead with the new Program Coordinator and the recordkeeper RFP process.

**Motion by Ms. Oliver to nominate Mr. Scott Sisco to serve as Chair and Dr. Carlos Romo to serve as Vice Chair. The motion was seconded by Mr. Woodbury.**

Mr. Davie desired to remain positive, but wanted to remain consistent with his previous votes. He believed in seeing the chairmanship rotate so all the members had an opportunity to serve.

**The vote for the motion passed 4-1 with Mr. Davie voting nay.**

5. For Possible Action – Receive and approve Program Coordinator’s Report of fourth quarter 2014, beginning of 2014 activity, and discuss proposed Annual Plan for 2014. (Supporting Material pp. 20-34)

Mr. Boehmer presented his report including information on 2013 Revenue Sharing, Financial Audit Contract, SAM Changes, Compliance Audit, Newsletter, RFP Survey, and his Proposed Administrative Plan.

The Committee, Mr. Boehmer, Mr. Picarelli and the recordkeepers discussed how the revenue sharing and excess fee reimbursements were handled, and Mr. Picarelli recommended to the Committee keep the rollover amount from ING to cover the Expense shortfall that was created in 2012 because of the Revenue sharing funds that were dropped from the plan. Chair Sisco suggested they evaluate expenditures for the rest of this fiscal year, and determine what they needed at the May meeting. They also decided they should bill MassMutual for the remainder of funds from calendar year 2013.

Mr. Boehmer commented that staff would keep up with quarterly billing so as not to repeat the billing issue from the past. He then continued with his report noting that the Financial Audit contract was awarded and SAM changes were submitted and both were scheduled for review on the March Board of Examiners meeting. The Financial Audit was tentatively scheduled for June/July 2014 and the Compliance Audit was tentatively scheduled for April 2014. Mr. Boehmer remarked on the Winter Newsletter and proposed some changes to reduce postage and printing costs by asking retired participants to provide their email address so they could receive future newsletters and information from NDC online.

Mr. Woodbury suggested to be aggressive and state NDC was going electronic and for the very few that didn't have a computer, a printed version could be provided.

Mr. Boehmer spoke briefly about phone calls received in the NDC office regarding the survey and he concluded his report by going over his proposed Annual Administrative Plan.

Chair Sisco mentioned they might want to take a look at the Alliance Partners assets and payroll centers to see if they may be costing the core participants extra money. He wanted to see a comparison to evaluate if the Alliance Partners were a benefit or not in making our Plan more complex.

Chair Sisco and Mr. Woodbury discussed the possibility of using some of the excess revenue to hire a consultant to develop a marketing plan that would include an enhanced website with more resources.

Mr. Davie believed there were some great ideas on the Administrative Plan. He did not want to see the smaller Alliance Partners that were part of our Public Employees' Plan be penalized for making the Plan more complex. He mentioned that a long term, ideal solution would be to combine our Plan with PERS which would benefit all public employees because a Plan that large would be able to get the best deal from one or two recordkeepers.

Vice Chair Romo proposed the Committee set a time to evaluate staff at the fourth quarter meeting each year.

**Motion by Vice Chair Romo to accept the Program Coordinator's report. Second by Mr. Davie and motion carried unanimously.**

6. For Possible Action – Receive and approve Investment Consultant’s review of fourth quarter reports from recordkeepers and performance of investment options. (Supporting Material pp. 35-223)

Mr. Picarelli presented his quarterly report on the fourth quarter (4Q) of 2013 commenting on financial market conditions from pages 1-19 of his Analysis of Investment Performance. Continuing on page 20 Mr. Picarelli offered the Executive Summary for 4Q ending December 31, 2013 showing the NDC Program total assets were \$663.8 million which was an increase of \$25.1 million or 3.9%. The majority of Plan assets, \$341.7 million, were invested in the Stable Value Funds representing \$277.3 million or 42% in the Hartford General Account and \$27.8 million or 4% in the ING Stable Value Account.

Individually, MassMutual assets totaled \$538.7 million, increasing \$18.9 million or 3.6% with 52% of those assets in the Hartford General Account and 3% in lifecycle funds. The MassMutual revenue on variable assets was generating 12 basis points in revenue sharing. The contract requirement was 11 basis points resulting in a 1 basis point gain of approximately \$26,000 of additional revenue. Mr. Picarelli recommended they do nothing at this time and that would be part of the “true up” at the end of the year. ING assets totaled \$125.1 million, increasing \$6.2 million or 4.9% with 23% of assets in the Stable Value Fund and 35% in lifecycle funds.

Mr. Picarelli noted that page 31 showed an error made by MassMutual in depositing funds into the Vanguard Small Cap Index fund from a participant with an Alliance Partner.

Mr. Trenerry explained that the fund was not part of the line-up and when the error was found MassMutual contacted the individual and made the corrections. Mr. Trenerry stated he would provide a more detailed explanation in the future.

Mr. Picarelli also reviewed the Scoring System (S3) report. On the ING platform only one fund, Keeley Small Cap, had a “C” rating. MassMutual had two funds, Hartford MidCap HLS and Oppenheimer Main Street, which scored a “C” rating. All other funds received “A” and “B” grades. The funds that received a “C” would be closely monitored. (Supporting Material pp. 224-266)

**Motion by Vice Chair Romo to accept the Investment Consultant quarterly and scoring reports, seconded by Mr. Woodbury. The vote passed unanimously.**

7. For Possible Action – Receive and approve the Investment Consultant’s Fund Watch list for the fourth quarter ending December 31, 2013.

Mr. Picarelli referred to page 27 of his report and recommended retaining all funds on the Watch List from last quarter as well as adding Lord Abbett Value Opportunities Fund and Columbia Acorn Fund due to underperformance of the benchmark over the 3 and 5 year periods. There were a total of eight funds on watch with six being retained from previous quarters and two new funds added for 4Q 2013.

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)	Remain on Watch
Lord Abbett Value Opportunities Fund (MM & ING)	Placed on Watch
Columbia Acorn Fund (ING)	Placed on Watch

**Motion by Vice Chair Romo to accept the recommendations and new additions on the Watch List, second by Mr. Davie. Motion carried unanimously.**

Break for 45 minute lunch.

Chair Sisco reopened the meeting and stated they would be taking several agenda items out of order in order for Mr. Picarelli to be present for discussion.

10. For Possible Action – Presentation by Investment Consultant of proposal(s) received from current vendor(s) to amend and extend current Recordkeeping contracts.

Mr. Picarelli stated he received letters from both recordkeepers and would explain each company's offer. When he looked at a contract extension there were several things he considered:

1. the term of extension (both were offering 3 year extensions)
2. the service - which included level of people and infrastructure (both were not making changes to staffing or allocating additional people)
3. the total required revenue
4. the Stable Value offering (what product and interest rate offered)

The MassMutual extension would be the same 11 basis points (this does not include the reimbursement) on variable funds for required revenue as the current contract. The. Currently the Hartford General Account rate is 3%. MassMutual proposed minimum guaranteed rates on the MassMutual General Account of:

- 2015 3.30%
- 2016 3%
- 2017 2.50%

MassMutual would maintain the same staffing level which included 3 people in Northern Nevada, 4 people in Southern Nevada and Steve Watson as a consultant. The product on the General Account offering was the MassMutual General Account and did not have a 12-month PUT as in the past, but was a two way MVA formula so they could exit the fund at any time. After three years the money could be up or down so there needed to be a way to manage the strategy so the Plan would not be in a negative situation at the end of the three year extension.

The ING current contract requires 35 basis points (26% on variable and 55% on Stable Value) on all the funds because they have the separate account and the Plan receives \$90,000 back for expenses. Their extension had two scenarios both using an ING General Account type product which was a change from the Separate Account but for both scenarios ING would offer the same staff and infrastructure for service.

<b>Scenario 1</b>	<b>Scenario 2</b>
ING Fixed Account with 2-way MVA formula	ING Fixed Account with a 12-month PUT
2015 3%	2015 2.5%
2016 2.75%	2016 2.25%
2017 2.50%	2017 Not stated, would be determined later
Mutual Fund Revenue: 20 basis points	Mutual Fund Revenue: 23 basis points
\$90,000 Plan reimbursement for expenses	\$90,000 Plan reimbursement for expenses

The Committee had concerns about changing the contract, having to meet with Board of Examiners to explain their decision, and not performing their fiduciary responsibility. They believed that going with one vendor was pointing to better pricing and value for participants.

DAG Chesney agreed with the Committee's concerns and stated there were other issues with material changes to the current contracts and they would get criticism in changing the structure. It seemed to be a new contract and that was what the RFP process was for. The main duty for the Committee was to find the lowest fees and highest rates from recordkeepers. The Committee could be subject to liability from participants and with criticism from the past he advised them to not go down that dangerous road and go with the RFP to get what was best for participants.

**Motion by Chair Sisco to reject the contract extension proposals, seconded by Vice Chair Romo.**

Mr. Davie inquired if they really needed to have a motion or could they just move on.

**Chair Sisco withdrew his motion and Vice Chair Romo withdrew his second of the motion.**

11. Discussion Item – RFP Survey Recap

Mr. Boehmer reviewed the online survey results as well as responses received from retirees.

Mr. Sisco noted the Committee needed to make a decision to have one or multiple vendors to get the RFP finalized. A discussion ensued and the Committee agreed that it was in the best interest of participants to go with a single vendor.

**Motion made by Mr. Woodbury to direct the Investment Consultant and State Purchasing to proceed with a one vendor RFP and seconded by Mr. Davie.**

Mr. Picarelli indicated the RFP would have three bid scenarios: first would include a general account, second was with a separate account and the third would have no proprietary fund. The third scenario gives the pure number because it only includes the actual recordkeeping fees.

Chair Sisco believed there was not a valid reason to not get a bid for two vendors because it would not cost them more to find out how much it would cost for multiple vendors versus a single vendor.

**The vote for the motion passed 4-1 for the single vendor RFP with Chair Sisco voting nay.**

12. For Possible Action – Discussion of RFP Drafting and Timeline. Possibility of scheduling a special meeting in March for RFP approval and setting weighting criteria and parameters.

Ms. Kim Perondi with State Purchasing went over a draft timeline and added dates with input from the Committee.

<b>Task</b>	<b>Date/Time</b>
Review Draft RFP / Establish Eval Criteria and Weights <b>(closed session)</b>	March 13, 2014
Release RFP	*March 18, 2014
Deadline for submitting written questions	*April 1, 2014
Amendment to RFP containing Questions & Answers	*April 8, 2014
Deadline for submittal of Reference Questionnaires	*April 28, 2014
Deadline for submission and opening of proposals	*April 29, 2014
Evaluation period (independent review of technical proposals)	*Frank Picarelli: 4-30 to 5-15-2014 *Eval Cmte receive proposals 5-12-2014 *Frank's report to Cmte 5-15-2014 *Evaluation of Proposals 5-12 to 5-29-14
Group evaluation meeting / Cost proposal review <b>(closed session)</b>	*June 5, 2014
Vendor presentations <b>(closed session)</b>	June 20, 2014
Selection of vendor announced	June 20, 2014
Anticipated BOE approval and contract start date	August 12, 2014 BOE Contract start date January 1, 2015

\*Note: The dates above were changed at the first meeting of the RFP Review Committee

Ms. Oliver requested a better summary of descriptions along with the dates be provided to the Committee to assist them in the process.

**Motion made by Vice Chair Romo to approve the RFP schedule. Motion seconded by Mr. Woodbury and carried unanimously.**

Chair Sisco noted that agenda items 10, 11, and 12 were complete so they would return to item 8.

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

Mr. Trenerry presented the fourth quarter 2013 report from MassMutual. ([Supporting Material pp. 267-280](#))

Chair Sisco asked how they could get more enrollment forms to new hires.

Mr. Boehmer noted that was part of his Annual Plan and he would be working on putting a packet together to distribute those.

DAG Chesney commented that the Division of Human Resource Management had a quarterly meeting with all the personnel from different agencies and thought it would be beneficial for Mr. Boehmer to attend one of those and distribute the packets.

Mr. Trenerry welcomed Mr. Tom Verducci back to the MassMutual team replacing Jake Honea as a Retirement Education Specialist in Northern Nevada.

Vice Chair Romo thanked MassMutual for their assistance with the online survey.

Ms. Amy Humphrey, of Mass Mutual, remarked that the majority of 2013 was spent on integration and transition from Hartford to MassMutual. In 2014 the focus would be on educating participants, including retirees, and helping them make sure they had enough money to retire on their own terms.

**Motion by Vice Chair Romo to accept the quarterly report from MassMutual. Second by Mr. Woodbury the motion carried unanimously.**

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

Mr. Platt presented the fourth quarter 2013 report from ING. ([Supporting Material pp. 281-292](#))

Mr. Platt also offered a Communication Report reviewing the campaigns, marketing efforts, and educational strategies ING used in 2013. ([Supporting Material pp. 293-301](#))

Mr. Platt welcomed Ms. Carrie Onorato back to ING since the departure of Eric Wyer in the Las Vegas office.

Mr. Bastien noted that ING had been creating some new materials about preparing for retirement for participants age 45 and over. He also remarked that the transition to the new name Voya Financial would start coming out in May and target date for using the Voya name in retirement plans was September.

**Motion by Mr. Woodbury to accept the ING reports and seconded by Ms. Oliver. Motion passed unanimously.**

13. For Possible Action – Propose making changes to administration procedure of handling and processing Unforeseeable Emergency Withdrawals within the Plan.

Mr. Boehmer proposed a change to the Plan Administration processing of Unforeseen Emergency (UE) withdrawals in order to prevent any compliance violations. Before processing the UE request the NDC office would need the participant name, birthdate or last four of social security number, the amount they qualified for, and the amount they were requesting. After receiving that information then staff would check to see if the participant had an account with both recordkeepers. ([Supporting Material pp. 315-318](#))

**Motion by Vice Chair Romo to accept the proposal as a solution for 2014 without making an amendment to the Administrative Service Agreement. Second by Mr. Davie motion carried unanimously.**

14. For Possible Action – Consider budgetary changes to accommodate all of the Committee Members attending the NAGDCA Conference in 2014 and future. Additionally, potentially provide for out of state travel for Recordkeeper site visits.



Mr. Boehmer presented some information to consider budgetary changes in out-of-state travel to accommodate all Committee Members attending the NAGDCA Conference in 2014 and future. Additionally they discussed a potential for recordkeeper site visits.

The Committee discussed the options for attendance to the NAGDCA Conferences and determined they would allot money for three people to attend NAGDCA each year (NDC Professional staff and two Committee members). They agreed to postpone recordkeeper site visits until after the RFP process was completed. For the 2014 NAGDCA Conference they tentatively planned for Mr. Boehmer, Mr. Davie, and Ms. Oliver to attend with Chair Sisco as the alternate.

Chair Sisco and Mr. Woodbury suggested doing an M150 adjustment in the budget process to move the money from Out of State Travel category and into the Training category.

**Motion made by Vice Chair Romo to prepare to send two Committee Members and one staff member to the NAGDCA conference in September 2014, second by Chair Sisco. Motion passed unanimously.**

Comments/Updates

15. Committee Members  
Vice Chair Romo commented on the PERS information that had to be released to the public. He also mentioned an email he received from Institutional Investors about a defined contribution conference in Miami and recommended that Mr. Boehmer attend the conference.
16. Investment Consultant  
No comments.
17. Recordkeeper(s)  
No comments.
18. Staff Updates  
Mr. Boehmer confirmed that the NAC changes were approved and updated.
19. Public Comment  
No comment.
20. Adjournment  
The meeting was adjourned at 4:40 p.m.

Respectfully submitted,

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Micah Salerno  
NDC Administrative Assistant