

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 Retired
Karen Oliver
GCB
Steve C. Woodbury
GOED

Shane Chesney
Senior Deputy Attorney General

**DEFERRED COMPENSATION COMMITTEE
QUARTERLY MEETING MINUTES FOR**

August 13, 2014

The quarterly meeting of the Deferred Compensation Committee was held on Wednesday, August 13, 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 4412E, 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, in Las Vegas
Karen Oliver
Steve Woodbury
Carlos Romo, Vice Chair
Scott Sisco, Chair

OTHERS PRESENT

Jim Barnes, Zeh Law Firm	Rob Joiner, RPEN
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
James Crawford, Retired	Robert Trenerry, MassMutual
Kent Ervin, Participant	Tom Verducci, MassMutual
Lisa Gillarde, ING	Duane Warth, Retired
Michael Hackett, MassMutual	Steve Watson, Retired

1. Call to Order/Roll Call

Chairman Scott Sisco called the quarterly meeting of the Nevada Deferred Compensation (NDC) Committee to order at 9:04 a.m., on Wednesday, August 13, 2014. Mr. Rob Boehmer took roll and determined a quorum was present with Mr. Davie attending in Las Vegas. Mr. Boehmer indicated the meeting had been properly noticed and posted.

2. Public Comment

Mr. Rob Joiner with Retired Public Employees of Nevada (RPEN) commented that he was surprised to learn that a single vendor, ING, had been selected for the Program through the Recordkeeper RFP. RPEN consistently stated they supported having two vendors and were asking the Committee to reconsider their selection. He pointed out that most of the funds in the Program were held by retirees and not active employees and many of those funds were in the conservative investments including the General Account. He stated that the retired members wanted a safe fund to be invested in. RPEN supported a two vendor choice for competition and diversity of choice in funds. Mr. Joiner remarked that according to the weighting of the RFP that it appeared that one member's scores were weighted toward the vendor that was chosen. He questioned how something like that could happen and wondered if the process was flawed. RPEN was concerned about the lack of transparency during the Recordkeeper RFP process.

Dr. Kent Ervin, active participant, congratulated the Committee and staff on a successful RFP process, done through State Purchasing, that he believed was very thorough. A well run RFP was the best way to get the best deal for participants. After he did a quick review of the ING it appeared that the pricing and services were competitive. Dr. Ervin appreciated the hard work from the Committee, staff, and Ms. Perondi with State Purchasing during the process. Dr. Ervin also commented on the fund line-up, 5-year increments for the target date funds and encouraged strong communication during the transition so there were no surprises.

Duane Warth a retiree with a long-term deferred compensation account with Hartford/MassMutual recommended keeping the Program the same and not making changes.

3. For Possible Action – Approval of Committee meeting minutes from the Quarterly Meeting of May 22, 2014 and Special Committee Meeting held on June 23, 2014.

No comments or changes on the minutes.

Motion by Vice Chair Romo to approve the minutes from the quarterly meeting on May 22, 2014 and the special meeting on June 23, 2014. Second by Mr. Davie, motion passed unanimously.

4. For Possible Action – Receive and approve Program Coordinator's Report of second quarter 2014.

Mr. Boehmer presented his report starting with information on quarterly billing and revenue sharing.

Chair Sisco questioned if it was possible to pay for the cost of the RFP process with the current funds since there was a reserve available.

Mr. Picarelli stated if funds were currently available in the NDC account they could be used as long as they were used for the benefit of the Plan and participants.

Chair Sisco asked Mr. Boehmer to bring information to the next meeting to discuss the option of paying the RFP with current funds.

Mr. Boehmer noted that the next meeting he would present the proposed budget for 2016/2017 for approval and he would also look into having the RFP paid with current reserves.

Mr. Boehmer continued his report giving an update on the Financial Audit, the Compliance Audit, the Summer Newsletter and summarized NDC Administration Marketing efforts and Recordkeeper contractual service and performance.

Motion by Vice Chair Romo to accept the Program Coordinator's report, second by Mr. Woodbury. Motion carried unanimously.

5. For Possible Action – Receive and approve Investment Consultant's review of second quarter reports from recordkeepers and performance of investment options. ([SegalRogerscasey 2Q Report](#))

Mr. Picarelli presented his quarterly report for the second quarter (2Q) of 2014 commenting on financial market conditions from pages 1-20 of his Analysis of Investment Performance. On page 20 he continued with the Executive Summary for 2Q ending June 30, 2014, showing the NDC Plan assets totaled \$689.1 million which was an increase of \$19.0 million or 2.8%. The majority of Plan assets, \$302.6 million, were invested in the Stable Value Funds representing \$276.0 million (40.1%) in the Hartford General Account, and \$26.5 million (3.0%) in the ING Stable Value Account. The Target Date funds' assets totaled \$69.1 million which was about 10% of the total plan assets.

Mr. Picarelli noted that Munder Capital had just gone through an acquisition with Victory Capital and the research group at Segal Rogerscasey were looking at that in detail as they would with any acquisition. He believed the Munder team would be completely intact and continue to sell the product under Munder but would report their findings at a future meeting.

MassMutual assets totaled \$557.3 million, increasing \$15.3 million or 2.8% with 50% of those assets in the Hartford General Account and 4% in the lifecycle funds. The revenue on variable assets with MassMutual was still generating 12 basis points resulting in a 1 basis point gain of approximately \$27,881 of additional revenue.

ING assets totaled \$131.8 million, increasing \$3.6 million or 2.8% with 22% of assets in the Stable Value Fund and 35% in lifecycle funds. The current revenue was projecting a shortfall of 5 basis points, approximately \$66,000, which should be covered by the \$90,000 credit allowance. Mr. Picarelli and Mr. Boehmer were continuing to monitor the shortfall on the required 35 basis points and would settle up in the fourth quarter of 2014. Mr. Boehmer and Mr. Picarelli mentioned that \$30,000 was carried over from the previous year and with the \$90,000 for the current year the shortfall was being funded.

Mr. Picarelli continued with pages 32-48 discussing Plan Activity and Asset Allocation. He noted that the Vanguard Small Cap Index fund was zeroed out and resolved (pg. 32).

The Committee and Mr. Picarelli discussed the various funds in the Plan and their benchmarks and the watch list and how it would look once they moved forward with the new contract. Mr. Picarelli stated they should correct and clean up as much as possible when moving to the new contract.

Motion by Vice Chair Romo to accept the Analysis of Investment quarterly report, second by Ms. Oliver. Motion passed unanimously.

6. For Possible Action – Receive and approve the Investment Consultant’s Fund Watch list for the second quarter ending June 30, 2014.

Mr. Picarelli reviewed the Watch List on page 28 of his report and recommended retaining all funds on the list and adding Munder Mid-Cap Core Growth fund.

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 Abnett Value Opportunities Fund (MM & ING)	Remain on Watch
Columbia Acorn Fund (ING)	Remain on Watch
Munder Mid-Cap Core Growth (MassMutual)	Placed to Watch

Motion by Vice Chair Romo to accept the watch list from Investment Consultant with the addition of Munder Mid-Cap. Motion seconded by Ms. Oliver and carried unanimously.

Chair Sisco stated they would be moving some agenda items around.

8. For Possible Action – Receive and approve plan activity and administrative update from Mass Mutual for second quarter ending June 30, 2014. ([Supporting Material pp. 189-202](#))

Mr. Trenerry presented the second quarter 2014 report for MassMutual.

Chair Sisco asked about the possibility of doing an in-plan Roth conversion with MassMutual for a current participant.

Mr. Trenerry commented that most plans do not do in-plan conversions because of tax consequences. Within MassMutual’s plan there was no in-plan conversion of the Roth for employed or retired participants.

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

9. For Possible Action – Receive and approve plan activity and administrative update from ING for second quarter ending June 30, 2014. ([Supporting Material pp. 203-214](#))

Mr. Platt explained that ING was able to do an in-plan Roth conversion if the participant was separated from service. The regulations did allow for in-plan conversions before separation from service, but the Plan Document needed to allow it so there would have to be a Plan Document change and they would need further guidance from IRS on how various aspects of that were handled.

Discussing the ING revenue shortfall and credit allowance, Mr. Platt noted they had been tracking it since 2013. Adding the carryover from 2012 and 2013 plus the credit allowance for 2013 and 2014,

then removing the revenue shortfall and billing on a quarterly basis there was still a balance of nearly \$49,000 left for the remainder of the year to cover revenue shortfalls and billing. The shortfall last quarter was \$14,735 so they were estimating around \$30,000 for the remainder of the year.

Mr. Platt presented the second quarter 2014 report for ING.

Motion by Vice Chair Romo to approve the ING quarterly report. Second by Mr. Davie the motion passed unanimously.

Mr. Bishop Bastien stated that ING would officially become Voya on September 1, 2014. He also announced that Mr. Platt had changed positions with ING and was taking on more responsibility. ING would be in a transition period until the end of 2014 but were looking at replacing Mr. Platt's position as well as other staff changes that would be made as a result of the RFP process.

11. Update on Recordkeepers RFP Contract (subject to contract having been forwarded to BOE by meeting date).

Chair Sisco summarized the events leading up to and including the 2014 Recordkeeper RFP. The NDC regulations were changed in 2013 to indicate NDC would use State Purchasing for the RFP. During the Planning meeting in January everyone seemed to be in agreement that following Purchasing would be the fairest way, although it was not the most open process. NDC, through Purchasing, went out to bid and then the Evaluation Committee, which included the NDC Committee and Dave Olsen, Chief Accountant with NDOT, had several meetings, mostly behind closed doors. They determined the weighting of the scores which were very much in line with where the participants put their money. Next, the Evaluation Committee had a meeting to evaluate all the responses to the RFP and they chose three finalists and determined what they wanted in the finalist presentations. The finalist presentations were held and as a result of the final scores the Committee voted in public to have State Purchasing, the NDC Investment Consultant, and ING/Voya negotiate the contract. As of August 12, 2014 the contract became public and the scores were available.

Senior Deputy Attorney General (DAG) Chesney stated that according to NRS 333.370, within 10 days of official award of the contract being made public and posted in three places, any person who competed for the bid could appeal. Within 20 days of receipt of the notice of appeal, a hearing officer of the Hearings Division of the Department of Administration would hold a contested hearing on the appeal.

Mr. Picarelli commended the Evaluation Committee for the work and time they put into the process. They did a lot of due diligence and asked appropriate questions on the data that was provided so they could make the best decisions for the participants. Mr. Picarelli provided a summary of the results of the Voya (ING) bid which was very transparent:

- Fees to run the Program: 8 basis points on variable assets
- 5 dedicated on-site representatives dedicated to the Program
- General account product with interest rates and minimum guarantee rates over the 5 year period; 2015=3.50%, 2016=3.15%, 2017=2.75%, 2018 and 2019=2.50%
- Exit provision with no adverse effects at the end of the contract – 12 month PUT gets paid out without adjustments.
- FICA participant fee went down to \$0.65 per participant per month. Minimum guarantees on the funds would be 2.50% in year one, 2.25% in year two and never would go below 1%.

- Performance standards guarantees: including a timely transition, increase in participation by 10%, minimum of group and one-on-one meetings. If any of the performance standards were not met Voya would pay a penalty fee.

Chair Sisco inquired if the Voya proposal was the best offer based on the terms of the contract.

Mr. Picarelli confirmed that the Voya proposal was the best offer. He also added that the recordkeeper could do loans if the Committee decided to implement those at a later time.

7. For Possible Action- Receive and discuss Fund Line-up and Mapping proposal presented by Investment Consultant, Frank Picarelli of Segal Rogerscasey (subject to contract having been forwarded to BOE by meeting date). ([Supporting Material pp. 181-188](#))

Mr. Picarelli remarked on the information he provided regarding the proposed fund structure.

Chair Sisco asked how the fund changes happened and who made the decisions on where the funds were mapped.

Mr. Picarelli stated there would be automatic mapping (transfer) of assets to the same or comparable type funds or asset class. The information would be communicated to the participants announcing the changes, timeline, and blackout period. The participants' money would never be out of the market, but there would be a period of time where they would not be able to make changes, approximately 1-2 weeks.

A discussion ensued between the Committee, Mr. Picarelli, and ING Representatives concerning the fund changes and structure as well as what was needed to add the loan provision.

Motion by Mr. Davie to authorize the Investment Consultant to continue fund consolidation and mapping based on suggestions in the consolidated lineup and make a decision at a special meeting in September, second by Vice Chair Romo. Motion carried unanimously.

12. For Possible Action- Discuss and possibly approve changing the NDC Plan Document to implement a Loan Provision effective January 1, 2015, when new contract takes effect (subject to contract having been forwarded to BOE by meeting date). ([Supporting Material pp. 220-228](#))

The Committee discussed the pros and cons of having a loan feature and when would be the best time to make it available. They requested Mr. Boehmer to provide a matrix with parameters of the loan and a proposed plan at the November meeting.

Motion by Chairman Sisco to make a decision to have a loan provision and have the Program Coordinator send out a matrix with questions regarding the parameters of the loan program for the Committee and Deputy Attorney General to answer and at the November 2014 meeting have a conservative draft plan based on those answers. Motion seconded by Vice Chair Romo and passed unanimously.

10. For Possible Action- Receive and approve after-the-fact budget change request from NDC Administration to purchase computer to replace current out-of-date Computer system using Windows XP. (Supporting Material pp. 215-219)

Mr. Boehmer explained that his computer needed to be replaced because it was out of date and using Window XP. A work program would need to be initiated and completed to bring funds into Category 26 to accommodate the purchase.

Motion by Mr. Woodbury to approve the transaction and authorize a work program to fund the computer purchase, second by Vice Chair Romo. Motion passed unanimously.

13. For Possible Action- Discuss and confirm Quarterly Committee meeting date of November 13, 2014, and any other meetings that would need to be scheduled for calendar year 2014. Also, discuss and decide on meeting location. (Supporting Material pg. 229)

Mr. Picarelli stated a meeting needed to be set up to discuss the fund lineup with the new contract. Mr. Picarelli suggested September 26th at 9:00 a.m. and stated he would have proposals to the Committee a week prior to the meeting. He also requested to have the November meeting date changed.

Motion by Vice Chair Romo to schedule a special meeting on September 26, 2014 at 9:00 a.m., change the November meeting to November 4, 2014, and schedule the Planning Meeting for January 22, 2015. Second by Mr. Davie, the motion passed unanimously.

Comments/Updates

14. Committee Members

Mr. Davie asked if the RFP results would be posted on the NDC website.

Mr. Boehmer stated that an update will be posted on the website.

15. Investment Consultant

No comment.

16. Recordkeeper(s)

No comments.

17. Staff Updates

No comments.

18. Public Comment

No comments.

19. Adjournment

**Motion by Vice Chair Romo and seconded by Mr. Woodbury to adjourn the meeting.
Motion carried unanimously.**

The meeting was adjourned at 1:27 p.m.

Respectfully submitted,

Micah Salerno
NDC Administrative Assistant