

TESTIMONY ON POTENTIAL AMENDMENTS TO REGULATIONS
REGARDING POLITICAL SUBDIVISION PARTICIPATION CRITERIA
WITHIN THE NEVADA PUBLIC EMPLOYEES' DEFERRED
COMPENSATION PROGRAM (NDC)

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Personal Background

NDC participant. Former Committee member from Sep. 2003 through Sep. 2015, including four consecutive years as Chair. Retired since July 2014 from the Legislative Counsel Bureau.

Summary Conclusion and Recommendations

The need for these possible regulation changes is questionable. If regulations are adopted by the NDC Committee, Option 1 should be the preferred choice to allow for inclusion, rather than exclusion. The old terminology, "Alliance Partner," should be eliminated and replaced with Political Subdivisions or Local Government Entities.

Discussion

The political subdivisions within the NDC account for approximately 21 percent of total plan assets (June 30, 2015 data), which contribute significantly to the size of the Program and its ability to obtain more favorable interest rates, lower fees, and program enhancements.

It is my understanding that the "Alliance Partner" portion of the Program was initiated many years ago by the recordkeepers through separate agreements to allow for local government entities to share in the benefits of the larger State program. With the advent of NDC staff and more control exercised by the NDC Committee, these agreements and their contracts were updated, and the participating entities were better and more completely integrated within the overall NDC program.

The issue concerning some kind of limit or exclusion, particularly on smaller local government entities, has been a recent item of discussion on the Committee. Previous Committee members viewed the "Alliance Partners" as a positive aspect of the Program and actively sought to solicit and include more local government entities as a way to continue to grow the Program for the enhanced benefit, through economies of scale, of current and other public employee participants. The primary argument for exclusion, especially of the smaller entities, appears to be that current State participants somehow pay an unspecified cost for such participation due to the need for more recordkeeping assets with the additional payroll centers. However, the only evidence that has been presented related to such an effect appears to be simply anecdotal and speculative.

Despite repeated requests at recent Committee meetings for information from the contracted investment consultant and recordkeeper, no empirical evidence concerning an effect has been provided or seems to be available. I believe it is more intuitively obvious that such possible effects would be extremely minimal, if any, given the ongoing improvements and enhancements in electronic recordkeeping capabilities within the financial and deferred compensation fields.

The statutory name of the NDC Program is the "Public Employees' Deferred Compensation Program," not just the "State's" program. I believe that the "Alliance Partner" terminology is a relic of the past from when the recordkeepers accounted separately for those entities. It is now outmoded, however, with the full integration in recent years of the current participating entities within the overall NDC Program.

While I understand the possible need by the Attorney General's Office for regulatory clarity, I think it is unfair and unnecessary to change the rules, or to establish any kind of arbitrary limit or exclusion, on local government participation in the NDC Program; and, absent any definitive, data-driven evidence to the contrary, it would not be in the best interests of the current and future participants to do so.

Thank you for your attention and consideration.
Sincerely,

A handwritten signature in cursive script, appearing to read "Brian Davie".

Brian Davie