

# State of Colorado



**Bill Ritter, Jr.**  
Governor

**Rich Gonzales**  
Executive Director

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**JoAnn Vondracek**  
Committee Chair

## DPA

Department of Personnel  
& Administration

457 Deferred Compensation Committee  
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### NOTICE OF STATE DEFERRED COMPENSATION and PUBLIC OFFICIALS' AND EMPLOYEES' DEFINED CONTRIBUTION PLAN COMMITTEE MEETING

**FROM:** Suzanne E. Kubec, DC Plan Administrator

**SUBJECT:** Meeting January 10, 2008      **Note New Location**  
**PLACE:** Credit Union of Colorado      Free Parking in lot at 14<sup>th</sup> and Pennsylvania  
1390 Logan Street  
Third Floor Conference Room  
Denver, CO 80203

**The Deferred Compensation meetings will not be held in the LAC building during the 2008  
Legislative session; January through May 2008.**

**TIME:** 1:30 p.m. - 4:30 p.m.

- |   |          |           |
|---|----------|-----------|
| 1. Roll Call  | 2 mins.  | 1:30 p.m. |
| 2. Approval of Minutes – December   | 5 mins.  | 1:32 p.m. |
| 3. Approval of Agenda   | 3 mins.  | 1:37 p.m. |
| 4. Announcements – Suzanne Kubec  | 10 mins. | 1:40 p.m. |
| 5. Public Comments  | 5 mins.  | 1:50 p.m. |
| 6. 457 Reconciliation Meeting Summary – Suzanne Kubec<br>- 2008 DC Meeting Date | 35 mins. | 1:55 p.m. |
| Break   | 15 mins  | 2:30 p.m. |
| 7. 401a Match Plan Amendment #3 – Heidi Dineen                                  | 15 mins  | 2:45 p.m. |
| 8. 457 Plan Participation Agreement Revision – Heidi Dineen                     | 45 mins  | 3:00 p.m. |
| 9. 457 Marketing/Enrollment Review – Andrew Ahrens, Great-West                  | 20 mins  | 3:45 p.m. |

**NOTE:**

The next Deferred Compensation Committee meeting will be on **February 14, 2008 at 1390 Logan St., Credit Union of Colorado, third floor conference room.** The Executive Committee meets to discuss agenda items one week prior to each committee meeting. Since the time and place vary, please call 303-866-4066 for specific information.

Special accommodations will be provided upon request for person with disabilities. If you are a person with a disability who requires special accommodation to participate in this meeting, please notify Paula Manzanara at 303-866-4066 within 72 hours of meeting date.

**Minutes of the Meeting of January 10, 2008**  
**Credit Union of Colorado**  
**1390 Logan Street**  
**Denver CO 80203**

**DEFERRED COMPENSATION COMMITTEE**

<b>Present:</b>	Dave Loomis Billy Kwan Les Shenefelt	Rep. Richard Mutzebaugh Joann Vondracek Ben Stein	Sen. Lois Tochtrop- excused Dean Conder Patrick Byrne-
<b>Attendees:</b>	Department of Personnel & Administration	Suzanne Kubec Karen Fassler	Paula Manzanares Vinita Biddle
	Great West	Jennah Yerby Liz Davidsen	Andrew Ahrens Kevin Navarro
	JeffCo	Lisa Eacker	
	Attorney General's Office	Heidi Dineen	
	PERA	Debby Kaller	
	Participants	Ken Johnson	

**Roll call** Joann Vondracek called the meeting to order.  
Paula Manzanares called the roll.

**Approval of Minutes December 13, 2007** **Dave Loomis motioned to approve the minutes.**  
**Les Shenefelt seconded the motion**  
**The motion carried unanimously.**

**Approval of Agenda** There were no changes to the agenda.

**Follow up from December 2007 Suzanne Kubec Performance Audit** The Request for Proposal (RFP) for a provider to conduct the performance audit on both of the Plans was released on January 3, 2008. Questions are due to State Auditors Office on Friday, January 11, 2008 and proposals are due on Friday January 18, 2008. Michelle Collin, State Auditors office is working towards a signed contract on February 1, 2008.

**Comparison  
Enrollment 2006-  
2007**

Committee member, Dave Loomis, had requested a comparison of enrollment numbers for the 457 Plan during the National Save for Retirement Week in October 2006 versus October 2007. This was to compare each year to see if our enrollment numbers had an increase in participation. According to the statistics provided by Great West the enrollment numbers almost tripled during the final quarter period comparing 2006 to 2007. This promotion may not have contributed one hundred percent of the increase but it probably helped bring the awareness of retirement savings to the forefront.

**Single Record  
Keeper Statutes**

Committee member, Representative Mutzebaugh, requested a sample of the statutes for other States who utilize single record keepers at the December 2007 meeting. Howard Biggs, Arnerich Massena provided Suzanne with the list of those states and Suzanne looked at their statutory language. Suzanne stated that the majority of the States have very generic language stating that the Committee or Board has the discretion to administer the plan including recordkeeper, consultant, etc. Suzanne specifically looked at the State of Florida as she knew that they have several bundled providers however they have a statute that says they should have one record keeper. Ben Stein stated that we should talk to their administrator and see how they are accomplishing this considering their statutes. Suzanne also mentioned that Senator Swalm offered to sponsor a bill for this legislative session to change our statutory language. Suzanne told him the Committee may want to wait until the performance audit is released which may address similar issues and then go to legislation in 2009. Suzanne reminded the Committee that the current five-year contracts with the 457 Record keeper and the three Bundled Providers expire June 30, 2010, however the bidding process would take place in late 2009. If legislation were to change the statutes in 2009 that would provide plenty of time to reflect statutory changes in the Request for Proposal (RFP).

**Annuity Shopping  
Service**

Committee member, Dave Loomis, inquired at the November 2007 meeting, when had the Committee discussed the annuity shopping service and what was the outcome. The Committee last discussed this topic in April 2004. The Committee decided to continue to offer Great West annuity as a reasonable option given the extremely low request rate. The Committee also decided to require the annuity shopping service be placed in the upcoming RFP. This was noted in the 2004 RFP and is also referenced in the current contract with Great-West for the 457 Plan. Suzanne spoke to Rick Kramer, Great West, and he is gathering the information to be presented at the February 2008 meeting. Dave Loomis commented that the annuity shopping service had to provide a participant with three alternative annuity providers and that Great-West could not be one of them. Suzanne confirmed that this statement was true.

**Announcements**  
**January 2008**  
**JBC Hearing**

As part of Colorado's budget process all State Departments must attend a hearing with the Joint Budget Committee (JBC) to discuss their particular department programs. Department of Personnel & Administration's (DPA) hearing was held on Monday, January 7, 2008. The Retirement Choice and State 457 Plan were discussed. Suzanne quoted the following statement, "The State may be needlessly duplicating overhead by having both PERA and DPA administering defined contribution plans. With the expansion of the 457 beyond state employees to other public employers, namely school districts, this places additional demands on DPA staff to perform work related to other employers on behalf of the Committee and Plans. It may be possible to place the 457 Plan with PERA as a political subdivision or as an independent authority, subject to consultation with the Deferred Compensation Committee and the PERA Board, as well as legal advice confirming no legal barriers."

Joann Vondracek stated that her understanding was that one of the questions for departments was to inform the JBC what programs are the least and most effective. DPAs' response to this question was Retirement Choice and the 457 Plan. Suzanne commented that retirement choice is confusing for all state employees. One of the reasons for DPAs' comment is to place all retirement choices under one entity. It was suggested that PERA be that entity because retirement is their primary business. Ben Stein asked, rhetorically, that he thought the purpose of the Plan was to provide choice? Joann Vondracek found this a bit disconcerting in that the Committee was not advised about this in advance. Suzanne commented that the next steps would be talk to the Committee before DPA talks to PERA. Dave Loomis asked if this change would have any effect on the funding for DPA. Suzanne did not listen to the hearing so she was unable to answer this. Ben Stein commented that decisions were not made at this hearing and that his department was asked the same questions.

**Scrutinized**  
**Companies List**

PERA has updated their list in which a few companies have dropped off of the Scrutinized Companies list. Suzanne had discussed this with Heidi Dineen, AGO, and asked the Committee if they wanted to approve a new list and should this list be added to the Stable Value Fund investment policy as well as the Plans' investment policies? The original motion that accepted the PERA scrutinized company list was in July 2007 where the Committee decided to adopt PERA's list when it became available. In August 2007 the Committee adopted PERA's list as the Plans' list and made sure that there was a note that the list originated with PERA. The Committee did not make a statement or motion about future updates during those two Committee meetings.

**Les Shenefelt motioned to update the list from PERA's list every six months as required by statute and notify the Self Directed Brokerage Option providers and investments companies annually. Ben Stein seconded the motion. The motion carried unanimously**

**PERA Default Fund**

Suzanne informed the Committee that PERA has made their Dodge & Cox balance fund the default fund for contributions received after December 23, 2007 to their State DC and 401(k) Plans. The Committee may want to address this issue with Howard Biggs, Arnerich Massena, at the next performance review or sooner. The Executive Committee asked Howard previously for his opinion on default funds. Howard addressed this issue at the December 2006 meeting and recommended the age-based (target-based) or risk-based portfolios. The Committee said they would revisit when the final regulations were released. The regulations were due to be released in February 2007, however to date the Committee has not readdressed the issue. Although, for those Committee members who attended the National Association of Government Defined Contribution Administrators (NAGDCA) conference confirmed that age-based (target-based), risk-based or manage accounts were the three recommended default options. Ben Stein would like this item added to next months agenda. Joann Vondracek asked if Great West could provide detailed information on what ages are typically categorized into what type of age based funds and also those that have defaulted into the Stable Value Fund.

**Public Comments**

Ken Johnson a participant who works at Public Health and Environment addressed the Committee. He congratulated Ben on winning the seat that he had ran for as well. He stated that he does like the investment choices that the Plan offers. He uses the Ameritrade platform which allows true self directing of ones funds. He asked if one can purchase international funds if they are on a prohibited list. Suzanne commented as soon as the amendment is signed then one should not be able to purchase. She also asked Ken if he wouldn't mind testing this once the providers have updated the prohibited investment lists and amendment has been signed.

**457 Reconciliation Meeting Summary- Suzanne Kubec December 21,2007 Action items**

Suzanne gave the Committee an update on the reconciliation meeting that took place on December 21, 2007. The following representatives attended the meeting Joann Vondracek, Dave Loomis, Les Shenefelt, Heidi Dineen, Suzanne Kubec, Brenda Berlin, Janet Sobczyk, Lynn Acker, Rick Kramer, Liz Davidsen, Cathy Erbert, Yvette Stanley, Carol De Hamer and Andrew Ahrens. The attendees were from DPA, Great-West and Jefferson County School District. The meeting was very productive. They decided that staff will confirm that all school districts and four-year colleges are using the Great West Plan Service Center website for deferral changes and loan payments.

Heidi Dineen, Attorney General's Office (AGO) will draft a letter from the Committee to be sent to those school districts that are not in compliance. They will be given ninety days to comply or participation will be terminated. A different letter will have to be sent to the four year colleges since they are automatically participants under state statute. The school districts will have to provide a quarterly contribution report to be reconciled by DPA's Plan Accountant with the quarterly statements from Great-West.

The attendees recommended that the Committee move the monthly meeting to the fourth Thursday of every month. This will provide most accurate up to date information on quarterly reviews held in the second month of the following quarter. Suzanne had emailed all the Committee members regarding the date change and did not receive a response from all of the members at that time.

**Representative Mutzebaugh motioned to move the DC meeting from the second Thursday of the month to the fourth Thursday of the month. The only exception would be for the months of November and December to be moved to the third week of the month due to Thanksgiving and Christmas holiday. Dave Loomis seconded the motion. The motion carried unanimously.**

Suzanne handed out the list of proposed new meeting date changes for 2008 and will have this posted on all of the websites.

**Follow-up**  
**School Districts**  
**Contribution**  
**Formula**

Suzanne followed up on the manner in which the school districts were using for their contribution formula. Previously the Committee made an amendment to change the way the percentage deferral for the 457 Plan is taken using PERA includable salary for ease of administration. However, it was brought to Suzanne's attention that payroll was using gross salary in the calculation. Therefore, she recommended changing the Plan document to reflect the method currently being used. However JeffCo School District stated that they currently use PERA includable salary which then brought up the issue as to what the other schools districts were using. Of the fifteen school districts plus Pikes Peak Board of Cooperative Educational Services (BOCES) (total sixteen entities); Suzanne contacted all but three of them and ten confirmed they are using the PERA includable salary definition and most of them are using the Great West Plan Service Center. Of the remaining three; one was checking on it and the other two use gross salary. The two that use gross salary said they could comply with changing to PERA includable with a ninety-day notice. Those organizations that were not using the Plan Service Center were either working on setting it up or needed someone to contact them. Suzanne will work with Great West to contact those entities. The overwhelming majority use PERA includable salary other than the three that Suzanne was unable to contact.

## **Recommendations**

Suzanne recommended that the Committee follow the current plan document amendment, which states the deferral will be calculated on PERA includable salary. This is consistent with how the basic retirement Plans are calculated. Staff will work with Central Payroll to make the change effective with January payroll, if possible. Staff will also work with Great-West to send a letter to all participants who are currently deferring via percentage explaining the change. Dave Loomis asked for a brief explanation of PERA includable salary. Suzanne stated that it is gross salary minus Section 125 and Section 132 (Qualified Transportation Fringe Benefits).

## **401 a Match Plan Amendment-Heidi Dineen**

Heidi Dineen, AGO, reviewed the Third Amendment to the State of Colorado Defined Contribution Match Plan. At the November 2007 meeting Heidi discussed with the Committee that the Match Plan is frozen per statute. The Committee decided to keep the Match Plan as a frozen plan as opposed to terminating the Plan. Heidi reviewed the plan document to make sure that all of the required qualification provisions are in the document. This document will need to be sent to IRS in 2009. Heidi stated that we need make a few minor qualification updates to the plan document. The first is to revise the types of direct rollovers accepted by the Plan. The second clarifies that service withdrawals are not allowed. The third is to clarify the latest date for distributions that being the age of 70 ½. One of the most important changes is in section 6.3 is to update the mandatory cash out provisions for terminated participants if their balance is under \$1000. The IRS code now states if a participant's account balance is over \$1000 and they request a de minimus distribution we have to set up Deemed IRA account. We can no longer send a check. Heidi asked the Committee to adopt this amendment. so Suzanne can start working on restating the plan document for submittal to the IRS in 2009. Dave Loomis asked if the Match Plan allowed accepting IRA rollovers, Heidi stated yes. One of the main changes is it now allows non spouse rollovers. Dean Conder noted that some of the dates in the document were different. Suzanne will make those corrections. There was discussion on whether the Match Plan should accept rollovers since the Plan is frozen and participants can rollover any type of plan into the 457 Plan.

Andrew Ahrens, Great West, made the comment to the Committee that participants have requested the ability to do in-service withdrawals of rollover monies. The Plan currently does not allow for this. This feature would help roll money into the Plan because it allows flexibility to participant's funds. Dave Loomis likes the idea of flexibility for participants Joann asked Andrew to provide more information at the next meeting i.e. how many rollovers has the Plan had etc. and the Committee will discuss this at a future meeting.

**Les Shenefelt made a motion that the Committee adopts the Third Amendment to the State of Colorado Deferred Compensation Match Plan as proposed by Heidi Dineen that excludes the acceptance of rollovers contributions, effective March 1, 2008.**

**Dave Loomis seconded the motion.**

**The motion carried unanimously.**

**457 Plan**  
**Participation**  
**Agreement**  
**Revision, Heidi**  
**Dineen**

Heidi Dineen, AGO, stated as a result of the reconciliation meeting and some previous operational issues that she and Suzanne have discussed, the Employer Participation Agreement needed to be updated. This will make it clear as to what the Committees' expectations are for employer entities. These changes will be prospective. On sub- paragraph four the agreement would read as follows. "The Employer agrees to electronically remit in a timely manner all employee contributions to the Plan in a manner acceptable with the third party administrator of the Plan.

The Employer's payroll administrator is responsible for monthly reconciliation of all employee contributions to the Plan. Each Employer is required to use the Plan Service Center to administer their employee contributions, indicative data and enrollment information. The Employer is also required to submit quarterly reports to the Plan accountant. The second change is in paragraph eight and it will clarify and add the following statement. "The Plan does not accept employer contributions or matching contributions.

**Ben Stein made the motion to adopt the Employer Participation Agreement prospectively with the addition of contribution reporting language.**

**Representative Mutzebaugh seconded the motion.**

**The motion carried unanimously.**

Joann Vondracek asked Heidi to bring an update with information whether the Committee can open up the 401a Plan for employer monies.

**Marketing Report**  
**Great West,**  
**Andrew Ahrens**

Andrew Ahrens, Great West, provided the Marketing update handout for the fourth quarter of 2007 it showed the Plan with \$12 million in contributions and 494 new enrollments. He also provided a list with the upcoming presentations. Ben Stein asked how many representatives Great West has on our Plan. Andrew commented that the Plan has four dedicated representatives two in Colorado Springs, one in Ft. Collins and one and a half in Denver. JeffCo School District also has a dedicated representative as well.

**Access Issue**

Andrew also expressed that they still have issues with access at Department of Corrections, Department of Regulatory Agencies and Department of Revenue. Patrick Byrne made the comment that he could obtain a letter from the Governor to the Executive Directors about retirement.

Great West also stated that Strategic Partners seem to have more access. Suzanne commented to the Committee and to Great West that Staff has notified Human Resource Directors regarding access through the internal newsletter, *Advisor* and also sent the providers the HR Directors contact list.

**Adjourn**

**Dave Loomis motioned to adjourn.  
Les Shenefelt seconded the motion.  
The motion carried unanimously.**