

# State of Colorado



**Bill Ritter Jr.**  
*Governor*

**Rich Gonzales**  
*Executive Director*

**Jennifer Okes**  
*Deputy Director*

**Joann Vondracek**  
*Committee Chair*

## DPA

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& Administration  
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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 February 26, 2008 **Note Different Day & 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 April 2008.**

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

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| 1. Roll Call   | 2 mins.  | 1:30 p.m. |
| 2. Approval of Minutes – January                               | 5 mins.  | 1:32 p.m. |
| 3. Approval of Agenda  | 3 mins.  | 1:37 p.m. |
| 4. Announcements – Suzanne Kubec                               | 20 mins. | 1:40 p.m. |
| 5. Public Comments   | 5 mins.  | 2:00 p.m. |
| 6. Default Investment Options for Plans – Suzanne Kubec        | 20 mins. | 2:05 p.m. |
| 7. Distribution from Rollovers – 457 Plan – Heidi Dineen       | 20 mins. | 2:25 p.m. |
| Break  | 15 mins. | 2:45 p.m. |
| 8. Consolidation of Tax-Deferred Plans, Update – Jennifer Okes | 20 mins. | 3:00 p.m. |
| 9. State DC Providers Bi-Monthly Update & Survey Results       | 45 mins. | 3:20 p.m. |
| ➤ Andrew Ahrens, Great-West                                    |          |           |
| ➤ Donna DeLong, Hartford                                       |          |           |
| ➤ Emily Knox, ICMA   |          |           |
| 10. PERA Survey Results David Maurek, Chief Operating Officer  | 15 mins. | 4:05 p.m. |
| 11. Quarterly Financials – Janet Sobczyk – DPA Accounting      | 20 mins. | 4:20 p.m. |

**NOTE:** The next Deferred Compensation Committee meeting will be on **Tuesday, March 25, 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 February 26, 2008  
Credit Union of Colorado  
1390 Logan Street  
Denver CO 80203**

**DEFERRED COMPENSATION COMMITTEE**

<b>Present:</b>	Dave Loomis- excused Billy Kwan Les Shenefelt	Rep. Richard Mutzebaugh Joann Vondracek Ben Stein	Sen. Lois Tochtrop- excused Dean Conder Patrick Byrne
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<b>Attendees:</b>	Department of Personnel & Administration	Suzanne Kubec Jennifer Okes Brenda Berlin Janet Sobczyk	Paula Manzanares Vinita Biddle
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Great West	David Smith	Andrew Ahrens Kevin Navarro
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JeffCo	Lisa Eacker
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Attorney General's Office	Heidi Dineen
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ICMA	Emily Knox	Gary Helm
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PERA	David Maurek	Katy Kaufmanis
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Participants	Ken Johnson
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**Roll call** Joann Vondracek called the meeting to order.  
Paula Manzanares called the roll.

**Approval of Minutes January 10, 2008** **Representative Mutzebaugh motioned to approve the minutes. Patrick Byrne seconded the motion The motion carried unanimously.**

**Approval of Agenda** Joann Vondracek advised the Committee that Hartford would be unable to attend the meeting today. They will present at the next meeting. There were no changes to the agenda.

**Follow up from January 2008 Suzanne Kubec Performance Audit** The performance audit will be performed by Buck Consultants. The entrance conference was held last week February 21, 2008 at the State Auditors Office.

**Annuity Shopping Service**

Rick Kramer, Great West was prepared to discuss the annuity shopping service but was unable to attend today since we changed the meeting to Tuesday. He will provide the annuity shopping service information at the March 25 meeting.

**Scrutinized Company List**

Suzanne updated the scrutinized company list per the updates provided by PERA. Great West had requested the ticker symbols for those companies still on the list. When Suzanne received the information from sudandivestment.org their contact informed her that Reliance Industries, Mitsui Engineering and Weir Group have been moved to inactive operations. However the Weir Group was not moved on the PERA list. Suzanne updated the list accordingly and she is modifying the amendment for Great West and ICMA. Although the Committee made a motion to update every six months, Suzanne asked the Committee, if she encounters that PERA made a change to their list can she makes the changes as well? The Committee agreed that was fine.

**Recordkeeping Analysis Update**

As directed from Senator Tochtrop, Suzanne contacted Representative Marshalls' office to ask if the DC Committee could be placed on the House Committee agenda to provide a summary of the recordkeeping analysis. After contacting Senator Tochtrop again she recommended that Suzanne send the report with an executive summary to Representative. Marshall with the option to still provide a brief summary to the whole House Committee. Suzanne is working on the letter for Joann's' signature and will attach the summary to the analysis.

**Deferral change to PERA Includable Salary**

The deferral change to PERA includable salary was done for the January payroll. However, in discussions with the Central Payroll Manager it was agreed that we would wait until February which would give us adequate time to notify participants. Unfortunately, the change occurred sooner. The agencies were notified via a broadcast e-mail on January 30th. The participants were notified via letter the week of February 11. Prior to the letter being received Suzanne had one participant call and complain that the Committee didn't notify him in a timely manner, or ask for his opinion and wanted it changed back. Suzanne explained that we were now in compliance with our Plan document and the change was consistent with the calculation method for the basic retirement plans. Since the letters were mailed Suzanne has received six additional phone calls, for clarification purposes. The participants didn't understand the PERA includable salary explanation and Suzanne explained this to them.

**Update Employer Compliance - PERA Includable Plan Service Center**

Suzanne is still contacting the colleges and school districts to confirm they are in compliance with using the PERA includable salary calculation and using the Great-West on-line Plan Service Center to monitor deferral changes, loan payments and contributions by participants. A letter will be prepared for school districts to summarize the compliance issues and ask for a quarterly contribution report. Suzanne will suggest a different letter once she receives all info from the four year colleges.

**Meeting Dates**

Due to the fact that we had a conflict with the conference room at the Credit Union Suzanne requested the Committee change their meetings to the fourth Tuesday of each month. Suzanne recommended that the Committee only make that change for February, March and April. Then resume the fourth Thursday of the month for the remainder of the year at the Legislative Audit Council (LAC) hearing room. The main reason for maintaining a Thursday DC meeting is that the Executive Committee meeting can still be the prior week. If the Committee moves it to Tuesday, then the Executive Committee meetings are almost two weeks prior to the meeting. Suzanne asked the Committee if they need to make a new motion for February, March and April to change the motion from the last meeting. It was not necessary to do so. The Committee would still make the exception of November and December due to the holidays.

**Announcements**  
**February**

**Stable Value Fund Rates-**

The Stable Value Fund rates for second quarter 2008 are 4.90% for the 457 Plan and 4.85% for the State DC Plan. Both rates increased by .05% from the first quarter 2008.

**PERA-Socially Responsible Funds**

Suzanne provided the Committee with a copy of PERA's 401k quarterly bulletin that shows PERA added a socially responsible fund. At the January 2008 meeting Suzanne told the Committee that PERA had changed their default fund as well, and the Committee is discussing this today for the 457 Plan. The Committee had also discussed socially responsible funds on two other occasions, both of which the recommendation from the consultant was to direct the participants to the self-directed brokerage option. Suzanne also commented that the fourth quarter statement for the Stable Value Fund was in to the current packet.

**Public Comments**

There were no public comments.

**Default**  
**Investment**  
**Options for Plans**  
**Suzanne Kubec**

Ben Stein had previously requested information from Howard Biggs, Arnerich, in regards to the best default option in lieu of the Stable Value Fund. Howard responded to Suzanne's e-mail that the 60% equity and 40% fixed income fund as depicted in the moderate portfolio would be his recommendation for default.

This same recommendation was noted in the recordkeeping analysis that Howard provided in December to the Committee. He also stated that if the Committee should decide to implement an auto-enroll plan feature he would recommend consideration of a target based fund as a default. Suzanne referred the Committee to attachment number seven, Howard e-mail response of January 24, 2008 on the default option recommendation and Howard's concern regarding short term trading (round-trip) transactions fees within the portfolio funds. Andrew Ahrens, Great West, replied there are no short-term, round-trip trading fees in-out of the portfolio funds

**Ben Stein made the motion that the Committee adopt our investment advisors recommendation and use the moderate portfolio options as our default fund effective immediately for the 457 Plan.**

**Les Shenefelt seconded the motion.**

**The motion carried unanimously.**

Ben Stein asked if at the March meeting Howard would review and provide recommendations' for asset allocation funds for Hartford, Great West, and ICMA. And then the Committee would act upon a default fund at that time.

Les Shenefelt asked about adding target-based funds. Suzanne stated that she would review the analysis from Howard, Arnerich, and obtain more information for the Committee to discuss. Ben asked that Howard take into account that the State offers a Defined Benefit plan (DB) Suzanne will ask Howard for recommendations on how to structure.

**Distribution from**  
**Rollovers 457 Plan**  
**Heidi Dineen**

At the January meeting the Committee asked Heidi Dineen, Attorney General's Office, for information regarding the provision in the 457 Plan document that prohibits members from rolling out their rollover fund contributions prior to termination. Heidi believes this information has been in the document for quite a while when prior to EGTRRA (Economic Growth and Tax Relief Reconciliation Act) the IRS had stricter rules. The research she reviewed indicated that this option is available and if the Committee wants to provide more flexibility in the Plan this would be an option. Heidi drafted an amendment document to reflect the new changes to allow participants to roll-out previously rolled in funds.

Attachment number three (email) in the packet was provided by Great West and it lists the breakdown of roll-in activity for the 457 and 401(a) Match Plans for calendar year 2007. The 457 Plan had ninety-four transactions for a total roll in of \$1,628,189 and the 401(a) Match had four roll ins for a total amount of \$58,838.

**Representative Mutzebaugh made the motion to approve the Amendment Seven to allow roll outs of previously rolled in funds. Billy Kwan seconded the motion. The motion carried unanimously.**

**Consolidation of  
Tax-Deferred  
Plans-Update  
Jennifer  
Okes,DPA**

Jennifer Okes, Deputy Director, summarized the four options for the Committee and discussed some of the issues that prompted the response, of consolidation of the Plans, to the Joint Budget Committee (JBC) in January. They are as follows:

- Move the Plans (457 & State DC) to PERA.
- Create a statutory authority for both plans.
- Move State DC to PERA and keep 457 at DPA.
- DPA would keep both plans but create a separate line item to obtain more resources i.e. additional full time employee (FTE) in Benefits and Accounting.

The main issues are the intricacies (confusion) of the State DC Plan and additional employers with different payroll centers for the 457 Plan. Joann Vondracek, Chair, suggested reviewing each alternative to see which option would be more cost effective. Les Shenefelt also suggested a cost analysis of an authority vs. PERA vs. DPA. David Maurek, Chief Operating Officer PERA, stated that PERA is interested but the discussion has not occurred with the PERA Board. He stated that there is a federal trend to consolidate all of the tax deferred plans i.e. 403(b), 401(k) and 457. David said that administratively PERA could manage the plans due to the economies of scale. He was glad to hear that July 2009 would be the earliest that a change would occur. He agreed that the goal is to ensure that employees have a successful educated retirement. The majority of the Committee agreed that it didn't matter how the plan is designed, they wanted to review all the alternatives and make a decision that is in the best interest of participants. The Committee also agreed that the 457 Plan should be maintained if it moves to another entity. Les Shenefelt suggested polling the participants: however the Committee will need many of these questions answered before that will occur.

Joann Vondracek, as a member in the 401k Plan made the comment that she would want PERA to take a serious look at the customer service element. She went on to say as a retiree using both plans the customer service that she has experienced with Citi-Street has been terrible. She has tried getting information from Citi-Street and has not been very successful.

She would like to see direct involvement by a committee such as this one administering these State Plans.

Ben Stein echoed the same sentiments as Joann and added another concern regarding proper oversight over the Plans. Ben commented to his past experience as a board member of PERA, that the 401k was under the benefits committee and he noted at that time that there was not much emphasis placed on the 401k Plan by the Board. His hopes are that this would be addressed. Ben would like to see retaining the immediate vesting full choice (State DC) so that employees still get all 'type' options for retirement regardless of whom the provider is and that we would provide the best alternative choices for employees.

Lisa Eacker, JeffCo stated that she hoped we would keep the option of the 457 Plan. She also voiced the same concern that Joann and Ben had that PERA does not focus on the 401(k) Plan. As an employer their experience on customer service on the 401k Plan has not been very good.

The Committee asked to be kept informed of any discussions as well as the providers. Joann and the Executive Committee (Billy Kwan and Dave Loomis) will work with DPA.

**State DC  
Providers-Bi-  
Monthly Update  
& Survey Results**

A few months back all of the State DC providers Great West, ICMA, Hartford and PERA sent a survey to their participants. Great West sent out 325 surveys and 56 were returned this is about a 17% participation rate which in the industry anything over 10% is great. Overall the participants were pleased with their choice.

Andrew Ahrens, Great West proceeded to give the marketing summary for the last quarter of the year 2007. The contributions were \$620,264. and the new enrollments came in at 69. The Plan now has approximate 500 participants with about 58% contributing. Andrew also provided an update as to the locations that they had been to in the month of February.

He also provided a handout with the 457 profile portfolio demographics by age and by category.

Emily Knox, ICMA-RC presented their survey results. They mailed out 140 surveys to State employees hired on or after January 1, 2006. They had 21 surveys returned which is a 15% return rate. Overall the participants were please with their choice. Emily proceeded to give the marketing report for the last quarter of 2007. Emily noted that she had a few incorrect dates on the following pages. Page eight should say December 31, 2007, Page 14 should say January 31, 2007. The Plan assets as of January 31, 2008 were \$3,364,654 and the total participants of the plan are 415.

**PERA Survey  
Results-David  
Maurek,**

David Maurek, PERA presented their survey results for the State DC and Defined Benefit plans. They mailed 8300 to State employees hired on or after January 1, 2006. They had 533 returned a 6.7% return rate. Overall the participants were pleased with their choice.

Suzanne commented on the survey that Hartford had similar results as the other plans. Additionally, on question five, where the participants had to rank the information needed to make their decision, the top responses were investment options and reputation of the company. It was interesting to take note of that as much time as the Committee spends on fee disclosure no one listed that as a high priority.

The majority of participants were aware of their choices for retirement. Participants knew which type of plan (DB or DC) and the actual plan they chose. Most participants are satisfied with their choice and were satisfied with the information they received.

**Quarterly  
Financials-Janet  
Sobczyk, DPA**

Janet Sobczyk, DPA provided the review on the quarterly financial statements for the second quarter of fiscal year 2008. Janet noted that a new line was added to this report -total plan assets. Joann asked for an estimate on the forfeiture account through the end of the year. Great West will provide this at the next meeting. Janet also gave the estimated costs for the audit on both plans.

**Adjourn**

**Representative Mutzebaugh motioned to adjourn  
Les Shenefelt seconded the motion.  
The motion carried unanimously.**