

# 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 March 25, 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 – February                                   | 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. Default Investment Options for DC Plan – Suzanne Kubec           | 15 mins. | 1:55 p.m. |
| 7. Adding Target-Based Funds for 457 Plan – Suzanne Kubec           | 15 mins. | 2:10 p.m. |
| 8. Consolidation of Tax-Deferred Plans, Update – DPA/Providers      | 60 mins. | 2:25 p.m. |
| Break   | 15 mins. | 3:25 p.m. |
| 9. State DC - Hartford Monthly update (held over) – Bill Abramowicz | 20 mins. | 3:40 p.m. |
| 10. Monthly 457 Enrollment/Marketing Update – Andrew Ahrens         | 20 mins. | 4:00 p.m. |

**NOTE:** The next Deferred Compensation Committee meeting will be on **Tuesday, April 22, 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 March 25, 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-Excused Patrick Byrne
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<b>Attendees:</b>	Department of Personnel & Administration	Suzanne Kubec Karen Fassler Brenda Berlin	Paula Manzanares
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	Great West	David Smith Joyce Reuter	Theresa Cruz Myers Kevin Navarro
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	JeffCo	Lynn Acker	
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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 Debby Kaller	Katy Kaufmanis
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**Roll call** Joann Vondracek called the meeting to order.  
Paula Manzanares called the roll.

**Approval of Minutes February 26, 2008** **Representative Mutzebaugh motioned to approve the minutes. Les Shenefelt seconded the motion. The motion carried unanimously.**

**Approval of Agenda** Joann Vondracek advised the Committee that the order of items on the agenda may be moved around as we wait for folks to arrive for the consolidation discussion. Bill Abramowitz, Hartford is unable to attend, therefore Suzanne Kubec will give Hartford's quarterly update later in the meeting.

**Follow up from  
February 2008  
Suzanne Kubec**

At the February meeting the Committee made the decision to use the moderate portfolio as the default fund for the 457 Plan. This action is active as of March 14, 2008 for any new hires prospectively. In January 2008, the Committee made an amendment to allow in-service distribution of funds from rolled over funds. Great West is finalizing that form, as well as eliminating the rollover form into the 401a Match Plan. The additional follow-up items from Howard Biggs, Arnerich are actually on the agenda and will be discussed later on the agenda.

**Announcements-  
March  
Stable Value Fund**

The stable value fund interest rates for second quarter of 2008 are 4.85% for the 457 Plan and 4.80% for the State DC. Both of these figures represent a decrease from last quarter by .05%.

**First Quarterly  
Bulletin  
Governor Ritter  
Going Green  
Initiative**

Governor Ritter's message of going green reaches out to 457 participants. Great West requested approval of a message on the first quarter bulletin which should arrive around the third week of April. The following message will be on the last page of the quarterly statements.

"GREEN IS TWICE-AS-NICE! You're already saving the green by investing in your retirement plan, but did you know that you can also receive your quarterly statements and stuffers electronically? Visit our website today to sign up for Online File Cabinet. It's fast and easy, plus Great-West Retirement Services will donate \$1.00 to the National Arbor Day Foundation ([www.arborday.org](http://www.arborday.org)) for every person who signs up during 2008. Working together to preserve your financial future and our national forests....now, that's savvy investing."

**2008 Committee  
Election**

The notice for the 2008 457 Committee election will be posted in this bulletin. Committee member Dean Conder's four-year term expires on June 30, 2008.

**Financial Audit**

The financial audit for both plans will be released at the Legislative Audit Council (LAC) hearing on Tuesday, April 1, 2008. Representing the plans at the committee hearing will be Joann Vondracek, Suzanne Kubec, Jennifer Okes and David Kaye. Suzanne will send an email to the Committee with a link to the audit report. The Committee members will receive a hard copy at the April meeting.

**Public Comments**

There were no public comments.

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

Per the Committees' request Suzanne asked Howard Biggs, investment consultant with Arnerich, to provide suggested default portfolio options for each of the DC providers fund line-up, similar to the decision made for the 457 Plan last month.

Howard recommended the following options: for ICMA, the Vantage Point Traditional Growth Product which has sixty percent equity and forty percent fixed split; this is like the moderate fund for the 457 Plan.

For Hartford, Howard recommended the American Century Strategic Allocation Modern Portfolio. This choice reflects a balanced asset allocation with approximately fifty to sixty percent equity. Although the information was not provided in the packet, Suzanne did speak with Howard about Great West options; Howard suggested the Moderate Portfolio.

**Ben Stein made the motion that the Committee adopt our investment advisors recommendation and use the Vantage Point Traditional Growth Product for ICMA and for Hartford the American Century Strategic Allocation Modern Portfolio and the Moderate Portfolio option for Great West as the default funds effective immediately for the State DC Plan.**

**Les Shenefelt seconded the motion.**

**The motion carried unanimously.**

Suzanne will follow up with the vendors on the time frame to implement this change.

**Target-Based  
funds for 457 Plan  
Distribution  
Suzanne Kubec**

Suzanne referred to the response from Howard on target-based funds, which was an attachment in the packet. Ben Stein asked if we should keep the risk-based funds in the Plan if we added target-based funds. He wanted to know if Howard addressed this in his answer. Suzanne noted that Howard stated we should keep one or the other but not both.

Joann Vondracek asked if the Committee wanted Howard to address target-based funds at the next meeting that he attends. Dave suggested looking at the advantages and disadvantages for risk-based vs. target based. Ben Stein voice concern about underlying costs between each type. Gary Helm, ICMA, stated that the industry is leaning towards target-based funds as their default. Rick Kramer, Great West, stated they record keep two plans that are moving to target-based funds and they do not have a proprietary fund. Les Shenefelt stated that we must be careful of making too many changes to the Plans for participants. Dave discussed the advantage of risk tolerance for participants. He added we should revisit age-based vs. target-based advantages and disadvantages.

**Consolidation of  
Tax-Deferred  
Plans-Update  
DPA/Providers**

Committee members Joann Vondracek and Billy Kwan met with PERA and DPA on March 13, to discuss consolidation of the State DC Plan and the 457 Plan.

David Maurek, PERA, stated that the timing of this discussion was fortuitous as, just before DPA's discussion with the Joint Budget Committee (JBC), the PERA board had begun discussions on the need to reexamine administration of the 401(k) Plan. The plan has grown to over \$1 billion in size and the PERA Board recognizes that it merits potential changes to improve communications and administration. The PERA Board has established several items on its long term planning including changes to their DC plans. PERA also has had some discussion of adding an additional Board member representing the DC plans. There were questions posed to David Maurek regarding PERA assuming the State DC Plan and the different vesting schedule than the PERA DC Plan. PERA expressed interest in taking the 457 Plan as an additional offering to its current customers. Joann stated the Committee has a fiduciary responsibility to all plan participants to ensure that that any change is in the best interest of the participants including that they continue to receive the same level of customer service that they currently have. Heidi Dineen, the Plan's attorney, discussed several legal issues involved in merging plans. Karen Fassler, DPA asked that a plan of action be put in place as soon as possible. Joann stated that the Committee is asking for costs of establishing an authority. DPA also committed to estimating costs to adequately staff the plans if they remained at DPA. The next steps would be that David would present this information at the March PERA board meeting.

**PERA's  
Comments**

David Maurek, PERA CIO, stated that the information from the DPA meeting had been brought to the PERA board as alternatives. The board accepted the idea. It was a positive but cautious response from the PERA Board as there are many details that need to be worked through. PERA will default to the 457 Committee's decision. There was no formal board action taken. The PERA Board suggested a sub-committee with DPA and the Committee to further discuss the issues. We would need to begin work on this in order to present to the JBC in the summer of '08. Dave Maurek stated that reporting issues with the school districts are not a problem as they work with many school districts. There would be many details that would need to be resolved and one of them is PERA would not be able to offer the 100% vesting for new members prospectively.

Ben Stein asked of PERA why their model does not fit with the 100% vesting schedule as there is no operation expense component.

The stagger approach was developed so that those that forfeit those monies fund the expense of the plan. PERA does not add an administrative fee where they would need a fund from the trust to operate this plan. It is not in the nature of the funding process that PERA has to have fees pay for the operation of the DC plans.

Dave Loomis asked if there was a proposal to transfer the Committee in tact and did DPA consider that? Karen Fassler, DPA stated that this was an underlying question but this had not been considered.

Suzanne replied that it was brought up during discussions as part of the options but not as a separate option. At the meeting Joann did comment that if this was to happen that we needed committee oversight not necessarily this one but a committee of some makeup with oversight. Dave Loomis stated that he does not want to lose the 457 Plan he feels that it is a great way of having a double savings for employees. Dave Loomis also asked how we accommodate the legislators and appointees that are in the Plan and some of them who joined due to 100% vesting. Legislators will need to continue that benefit. Representative Mutzebaugh also commented that we needed to ensure that we were having some discussions with the legislative branch.

David Maurek, PERA suggested a smaller work group to convene to discuss these types of issues. He also stated that many of these questions could not be answered at this time in the process. Suzanne will set up a sub committee meeting before the April DC meeting consisting of the following members: Joann Vondracek, Patrick Byrne, Dave Loomis or Billy Kwan, Suzanne Kubec, Heidi Dineen, PERA and DPA.

Ben Stein asked the providers for their input on the topic. Gary Helm, ICMA stated that the top priority would be what would be the best for the participants. Having one vendor for the DC plan makes great sense from an efficiency standpoint. As he and the other DC vendors have stated in the past they are losing money with the State contract. Gary also stated that even with the entire contract of thirteen million it would be difficult for one provider to cover costs, they might possibly break even.

Theresa Myers, Great West also stated that they are willing to help the Committee in this process and they too are looking towards the best decision for the participants. Great West distributed a handout with their research where they record keep sixteen of these types of programs.

Their research shows that seven of these are under the administration of a Division of the State. Nine are under administration of a retirement system like PERA.

Suzanne provided a budget estimate handout for the Committee members regarding the estimated costs if the 457 and State DC would become an independent authority. Also provided were the estimated costs for options three and four. The committee continued to discuss the four options; (1) move both Plans to PERA, (2) become an independent authority, (3) DPA retain the 457 Plan only, request additional FTE and move the State DC Plan to PERA; (4) DPA would retain both Plans but request a separate line item and additional FTE.

Joann Vondracek asked for an informal vote from Committee members. Joann is leaning toward moving the Plans to PERA with the strong caveat of direct involvement of some type of Committee.

Dave Loomis suggested an additional option which would transfer the duties of DPA to PERA but keep the Committee. Since Dave was a member from the start of the Committee he was a bit concerned that it appears that DPA has shown a level of disinterest in that the program has been pushed down to lower levels of administration within the Department.

Billy Kwan is leaning towards option one and the continuation of the Plan due to the economy of scale that PERA provides. He was not sure if this type of Committee would be needed.

Ben Stein is currently leaning toward PERA with the continuation of the 100% vesting for the State DC members, as an issue. He also stated that DPA had a misperceived idea about choice and costs. One must look at the information recently provided to the Committee; even our providers have said that they are losing money. He also has some concern over customer service issues and hopes the Committee and PERA can come to some compromise. He hopes that PERA will look at CitiStreet's oversight of the PERA DC Plans and that the Plan should be bid out to all providers.

Patrick Byrne is leaning towards the PERA option or he suggested moving the Plans to an existing authority, such as FPPA. He would like to see both Plans come off of the State's budget. Also we should look at growth in the Plan in cooperation with costs to participants.

Representative Mutzebaugh is leaning toward option one and option five, Dave's suggestion. He is very concerned about the vesting issue and stated how he was part of the original legislation on this issue. He added that it is very crucial that we start discussion with folks at the legislative branch. He also wants continued oversight of the Plans.

He is concerned about offering less choice for employees with just the PERA Plans.

Les Shenefelt, in his opinion as a Committee member, definitely felt that the DC Plan should be consolidated into one plan. He voiced concern over the elected officials and appointees vesting issue. As for the 457 Plan he had no opinion except to keep the best interest of the participants in the forefront and maintain the level of customer service that the Plans have provided.

Lynn Acker, JeffCo Schools, was also asked for their input. She had no official opinion at this moment but agreed with the Committee on oversight and customer service issues that she had previously addressed with the Committee. It was asked of JeffCo if there was a possibility that they would pull out of the 457 Plan if the 457 Plan moved to PERA. This might be a possibility due in part to the strong customer service that they have experienced thus far and hope would be maintained.

The next steps will be that Suzanne will set up the sub committee meeting before the April DC meeting.

**State DC Hartford**  
**Monthly Update-**  
**Suzanne Kubec**

Suzanne briefly reviewed the Hartford enrollment information on behalf of Bill Abramowicz who was unable to attend.

**Monthly 457**  
**enrollment/marketing update-**  
**Theresa Myers**

Theresa reviewed the monthly marketing/enrollment information for the 457 Plan. She also added that Kentucky and Ohio have Plans of similar asset size and participants, and have moved to an authority with a single provider. She suggested the Committee contact those plans for more information on cost.

**Adjourn**

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