

# State of Colorado



**Bill Ritter Jr.**  
*Governor*

**Rich Gonzales**  
*Executive Director*

**Jennifer Okes**  
*Deputy Director*

**Joann Vondracek**  
*Committee Chair*

## DPA

Department of Personnel  
& Administration  
Division of Human Resources  
457 Deferred Compensation Plan  
1313 Sherman Street, First Floor  
Denver, Colorado 80203  
Phone (303) 866-3434  
Fax (303) 866-3879  
[www.colorado457.com](http://www.colorado457.com)

### **NOTICE OF STATE DEFERRED COMPENSATION and PUBLIC OFFICIALS' AND EMPLOYEES' DEFINED CONTRIBUTION PLAN COMMITTEE MEETING**

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

**SUBJECT:** Meeting April 22, 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.

- |  |          |           |
|--|----------|-----------|
| 1. Roll Call   | 2 mins.  | 1:30 p.m. |
| 2. Approval of Minutes – March                                   | 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. Review of 457 Plan & State DC Financial Audit – Suzanne Kubec | 30 mins. | 1:55 p.m. |
| 7. Consolidation of Tax-Deferred Plans, Update – DPA/PERA        | 45 mins. | 2:25 p.m. |
| Break  | 15 mins. | 3:10 p.m. |
| 8. State DC Plan Bi-Monthly Enrollment Report                    | 45 mins. | 3:25 p.m. |
| a. Hartford  |          |           |
| b. ICMA-RC   |          |           |
| c. Great-West  |          |           |

**NOTE:** The next Deferred Compensation Committee meeting will be on **Thursday, May 22, 2008 at 200 E. 14<sup>th</sup> LAC Bldg Rm. B Denver, CO 80203**. 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.



**Follow up from  
March 2008  
Suzanne Kubec  
Default fund for  
the State DC Plans**

The effective date for the default funds in the DC plans will be as follows: ICMA was effective the week of April 14, Great West–Suzanne is working on a letter of instruction and Hartford is currently working on processing the default.

**Sudan  
Divestments**

A few months ago Suzanne sent amendments to Great-West and ICMA to add the Sudan divestment list to their prohibited funds for their self-directed brokerage option. ICMA is in the process of getting that amendment signed. Great-West has discussed the amendment with Ameritrade and found that Ameritrade already excludes these types of funds. According to TD Ameritrade all of those securities listed on the scrutinized companies list are foreign securities. If any of these securities are being traded in the United States., the securities would be traded as pink sheets. The TD Ameritrade Self Directed Brokerage (SDB) offered under the State of Colorado Plan's account does not allow trading or purchases in pink sheet securities. Therefore the amendment is not necessary. The official minutes will reflect this update; Suzanne will also record this in Sudan Divestment folder for future reports to the legislature. Suzanne recently received a reminder from legislative legal services reminding the Committee of the reporting deadline for next year in October 2009. Suzanne will contact legislative legal services as to the reporting requirements for the October 2008 date.

**Announcements-  
April  
Deferral Change**

The change for the calculation for the 457 deferral via a percentage was miss-calculated for March 2008 payroll. There were approximately 1700 employees affected and 150 employees received a refund check of over \$20 the week of March 31. There were about 450 employees who did not have pre-tax deductions so there was no affect to them. There were about 922 employees who received an Automated Clearing House (ACH) deposit of less than \$20 and about 231 participants who received a refund of less than a \$1. Suzanne received confirmation from DPA's Information Technology Unit that the calculation has been restored for April payroll. Suzanne also sent a notice to the Human Resource/Benefit Administrators on April 1 regarding the payroll error.

**Open Enrollment**

Open enrollment for state employees is April 21 through May 16. This includes the open enrollment for the State DC Plan. The Plan has 172 participants who were hired prior to January 1, 2006 and have the option to change providers or move to PERA or vice versa. There are 743 participants who were hired since January 1, 2006 and have the option to change providers in the State DC Plan. These numbers are as of the March 2008 payroll.

For FY07-08 State DC on-line open enrollment we had four participants. Since a letter has to be sent to participants advising them of their choices, Suzanne decided to make this an election letter as well. The participant can fax their FY08-09 changes to Suzanne. Suzanne will have the final results at the May meeting.

### **Hartford Request**

Hartford has requested a new hire list from the State. Suzanne can provide the list to them but asked for their intent and informed Hartford that she would have to bring this to the Committee. They wanted to 1) send enrollment information, 2) contact the Payroll/Personnel Administrators and 3) follow-up with a phone call. Suzanne had a bit of hesitation due to the fact that new hires receive quite a bit of information and this would add to it, (the Retirement Choice Packet, with input from all providers is given to all new employees). Additionally, the cost of mailing information would be born by the participants in the State DC Plan since there is no specific allotment for marketing in that plan. Certainly the advantage is additional information but that can be a disadvantage as well. We all know that new employees are confused with the retirement choices, which is why the providers, the State and PERA agreed upon the Retirement Choice Packet for new hires. The Committee had a lengthy discussion around this topic. Billy Kwan was very concerned that there is a perceived preference that Great West has an advantage since they are a DC provider and the 457 provider. Andrew Ahrens, Great West, clarified that they do not use this list as the DC provider. He also stated that the list has been posted past 60 days – therefore it is of no use for the new hires during their enrollment period.

**Billy Kwan made the motion that we release the new hire list for the 457 on a non-discriminatory basis or not at all.**

**David McDermott seconded the motion.**

**Joann Vondracek, Chair called for a Roll Call vote**

**Dean Conder - No, David McDermott - Yes, Billy Kwan - Yes, Dave Loomis - No, Joann Vondracek - No, Representative Mutzebaugh - No, Patrick Byrne - No**

**The motion failed with five No votes and two Yes votes**

**Representative Mutzebaugh made the motion to provide the new hire list to all three providers on a quarterly basis.**

**The motion did not receive a second.**

**The motion is lost.**

**Patrick Byrne made the motion to post the new hire list two months in arrears to Great West for purposes of the 457 Plan.**

**Representative Mutzebaugh seconded the motion.**

**Dave Loomis amended the motion to state the new hire list does not apply to eligibility file transfers sent to PERA.**

**Patrick Byrne seconded the amended motion**  
**Billy Kwan recorded a No vote.**  
**The amended motion passed.**

**NAGDCA 2008**

The room block for the Annual NAGDCA conference opened in early April. The conference is in Baltimore this year September 13-17, 2008. Suzanne has reserved ten rooms and she will prepare the appropriate paperwork for the Executive Director for approval. The Committee will discuss at a later date those who will attend.

**Conflict Of Interest Statement**

In past years Suzanne had asked the Committee to sign a non-conflict of interest statement. The State Auditors office requested a copy of the last one that the Committee signed. Suzanne was unable to find a recent one therefore she provided the statement for everyone to sign. It is actually the same language from the Governance Manual on Ethics with a statement that Committee members agree upon by signing. As a matter of practice Suzanne will request this from the Committee every July.

**DC Meetings**

Suzanne reminded the Committee and members in the audience that starting with the May meeting we will once again be meeting at the Legislative Services Building (LSB) in the Legislative Audit Council room (LAC). Suzanne also acknowledged appreciation and gratitude to Joann Vondracek and the Credit Union of Colorado for allowing the Committee to use this conference room for the last four months.

**Public Comments**

There were no public comments.

**Review of 457 Plan/State DC Financial Audit**

The Legislative Audit Council hearing for the financial audits was held on April 1, 2008. Representing DPA and the Committee were Joann Vondracek, David Kaye, DHR Division Director, and Suzanne Kubec and were present for approximately one hour. Suzanne distributed a handout to members in the audience of DPA's responses to FY07 Audit Recommendations. A copy of this will be included with these official minutes. The full report may be found at <http://www.leg.state.co.us/OSA/coauditor1.nsf/ReportPublicDept?OpenForm>

Joann Vondracek stated that there was very little comment from the legislators and no major discussion on any one recommendation.

Suzanne reviewed the major findings of each audit, summarized here with full explanation attached.

**State DC Plan**  
**Audit**  
**Recommendation**

**Defined Contribution Plan**

**Recommendation No. 1:**

The Department of Personnel and Administration should improve controls over participant contributions by adequate training for benefit administrators, review employee selection file and verify contribution received by each Provider as well as monitor those transfers of contributions from PERA to one of the providers within 90-days of the employee's choice.

**Department's Response:**

a) Agreed: Implemented. The Department provides quarterly training opportunities to all Department HR personnel, which includes three-hour training on Retirement Choice.

b) Agreed. Implementation Date: October 2008. The Department will develop a process to follow up on the 90-day transfer of contributions from PERA to the providers in a timely fashion.

Suzanne also reviewed the prior years' audit recommendations for FY06.

**State 457 Plan**  
**Audit**  
**Recommendations**

**State 457 Deferred Compensation Plan**

**Recommendation No. 1:**

The Department of Personnel and Administration should implement controls to ensure that participant contributions are calculated on eligible compensation, as defined in the Plan Document.

Additionally, the Department of Personnel and Administration should consult with legal counsel to determine the appropriate action, if any, that should be taken with regard to correcting errors in participant contributions withheld from employee pay and take actions to correct relevant participant accounts as deemed necessary.

**Department's Response:**

Agreed. Implementation Date: June 2008

The Department will develop a process to randomly select Plan participants and then verify that the participant's contributions were calculated based on the appropriate definition of compensation.

**Recommendation No. 2:**

The Department of Personnel and Administration should implement the necessary controls to ensure that all Plan assets are properly recorded in the Plan's financial statements.

**Department's Response:**

Agreed. Implementation Date: October 2008

The Department is working with all employers participating in the Plan to establish a reconciliation process for contributions and distributions.

**Recommendation No. 3:**

The Department of Personnel and Administration should implement controls to ensure all non-termination participant distributions processed by Great-West are in accordance with approved distribution requests by performing monthly reconciliations.

**Department's Response:**

Agreed. Implementation Date: June 2008

The Department will develop a process to compare all non-termination distributions, including PERA purchase of service requests, with the distribution requests to ensure their accuracy.

**Recommendation No. 4:**

The Department of Personnel should ensure adequate documentation is maintained to support participant contribution elections by; a) continuing to train the payroll officers of the various State agencies and the payroll departments, b) conducting periodic audits to determine if amounts contributed are supported by documentation at Great-West and, c) follow-up on and resolving the five contribution amounts identified during the audit that did not have adequate supporting documentation.

**Department's Response:**

a. Agree. Implementation Date: Implemented

The Department currently provides quarterly training opportunities as well as monthly Communiqués (notices) to HR Administrators and well as payroll administrators. However, the Department has limited ability to compel agency staff to attend training, so the understanding of the systems depends on cooperation of the agencies to attend the training DPA provides. Where there are approvals by the Department, appropriate documentation will be maintained.

b. Agree. Implementation Date: October 2008

The Department will establish a process for periodic reviews of contributions for accuracy. The Department will resolve any discrepancies identified in a timely manner.

c. Agree. Implementation Date: April 2008

The Department will follow-up and resolve the five contribution amounts identified during the audit.

**Recommendation No. 5:**

The Department of Personnel & Administration should adjust distributions from the Plan for defaulted loans when the loan default occurs and work with Great-West to develop a reconciliation process for defaulted loans.

**Department Response:**

Agree. Implementation Date: June 2008

The Department will continue to work on and with Great West to develop a reconciliation process for defaulting loans in order to ensure loans receivable is accurately stated at year-end.

Suzanne will review the 457 Plan FY06 prior years audit recommendations at the May meeting.

**State DC Plan Bi-  
Monthly Update-  
Suzanne Kubec**

Joann Vondracek asked the DC vendors if they would do their monthly update at the May meeting due to the lateness of this meeting.

**Adjourn**

**Dean Conder made the motion to adjourn.  
Dave Loomis seconded the motion.  
The motion carried unanimously.**