

# State of Colorado



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**Rich Gonzales**  
*Executive Director*

**Jennifer Okes**  
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*Committee Chair*

## DPA

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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 Thursday, May 22, 2008 **Note Different Day & New Location**

**PLACE:** 200 E. 14<sup>th</sup> LSB Bldg Rm. B  
Denver, CO 80203

The meeting will be broadcast live at <http://www.colorado.gov/dpa/dhr/benefits>, under "Hot Topics" click on "Listen to 457 Committee Meeting Live 5-22-08". The legislative page opens then choose "Legislative Audit Committee Hearing Room".

**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 – April                                   | 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. State DC Plan Amendment – Heidi Dineen                        | 10 mins. | 1:55 p.m. |
| 7. Contract Renewals FY09 – Suzanne Kubec                        | 30 mins. | 2:05 p.m. |
| 8. Consolidation of Tax-Deferred Plans, Update – DPA/PERA        | 45 mins. | 2:35 p.m. |
| Break  | 15 mins. | 3:20 p.m. |
| 9. Review of 457 Plan FY06 Audit Recommendations – Suzanne Kubec | 45 mins. | 3:35 p.m. |

**NOTE:** The next Deferred Compensation Committee meeting will be on **Thursday, June 26, 2008 at 200 E. 14<sup>th</sup> LSB 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 Manzanares at 303-866-4066 within 72 hours of meeting date.



**Follow up from  
April 2008  
Suzanne Kubec  
Conflict of  
Interest Statement**

At the April meeting the Committee signed the non-conflict of interest statement. Suzanne noted this would be an annual occurrence. Suzanne will obtain signatures today from Senator Tochtrop and Ben Stein.

**School District  
Letters**

Suzanne sent letters to the 15 school districts, Pikes Peak BOCES and South Metro Water in early May. Suzanne has requested confirmation that they are using the Plan Service Center website, PERA Includable salary for percent deferral calculations and to discuss monthly contribution reports. Suzanne has learned that two entities don't use the same calculation but will work with their Information Technology unit to comply. Suzanne also contacted the 10 colleges and seven have replied. Everyone at the college has been very cooperative.

Suzanne asked the Committee if the following statement is true per their earlier direction. If any employer does not comply with the plan document or use the plan service center, can Suzanne inform the vendor that she can terminate their contract. An issue arose with Montrose School district; there was miscommunication about gross salary deduction. Apparently they have some issues with their payroll IT provider. They can stay in the plan and use a dollar amount. Dave Loomis asked if they objected to using a dollar amount and Suzanne replied, "No they did not mind". The Committee agrees that the statement is correct and Suzanne can carry forward their directive to make the decision to advise participating entities that they must comply with the Plan document.

**Open Enrollment**

We have completed open enrollment and nine participants made a change. Suzanne will coordinate with Central Payroll to have the changes made in CPPS effective with July payroll. Suzanne will also inform each of the providers.

**Announcements-  
May-JeffCo  
Transition**

Suzanne has participated in two conference calls with Great-West and JeffCo Schools to discuss the transition of the JeffCo 95811-02 account to the State 457 Plan 98991-01 account. The JeffCo account will now become a subdivision 201 under the 98991-01 Plan effective June 30, 2008. The transition will require a blackout period from June 25 through June 30 where JeffCo participants will not have access to their accounts. Account balances will remain invested in the market as this is just an account change not a fund change. Participants will be able to continue to access their accounts through JeffCo's intranet. Participant will have access to the historical information on the JeffCo account from January 2006 through June 2008. Suzanne has reviewed the letter that will be sent to the JeffCo participants. Participants will be given a 30 day notice.

The Plan has 1,119 active participants. Of those participants there are 12 who have loans, 3 who participate in the Self Directed Brokerage Option (SDBO) and 6 who are receiving periodic payments.

### **ICMA Settlement**

Suzanne was notified in late April that there would be a settlement with one of the ICMA funds due to improper trading practices of the Massachusetts Financial Services Company (MFS). The settlement amount is \$2,143.85. There were four options to distribute the money, however if the Plan did not respond by May 16, there was a default option. The default option was to allocate first to current participants who held shares in the affected fund at the time the abuses occurred, and thereafter any remaining would be allocated pro rata to all current participants regardless of actual historical impact. Suzanne forwarded the information to the Executive Committee and to Heidi Dineen. The Executive Committee and Heidi agreed that the default option was in the best interest of the participants.

### **Election 2008**

We have had four requests for nomination packets for the election. However, we only received two packets prior to the deadline. Dean Conder submitted a packet and Tom Delahunty who is a PhD at the Colorado Health Sciences Center. Suzanne looked at the cost of mailing ballots vs. a postcard to remind participants to go on-line to vote. The postcard method is half the price. It is the most efficient method given that we have 16,000 participants. The cost of post cards fits within our remaining operating budget for FY08. Suzanne is working with DPA IT to provide an on-line voting button on the DPA website. Voting will take place June 9 – June 30, 2008.

### **On-Watch Funds**

Howard Biggs, Arnerich has provided a quarterly report for the on-watch funds which is an attachment in the monthly packet. Suzanne asked Howard to provide the performance update and whether he recommends replacement or continuing on-watch. Suzanne asked the Committee if they wanted Howard to come to the June meeting with recommendations for replacement funds. Billy stated that Howard needs to review the investment policy. Joann stated that Suzanne will provide a quarterly update in the packets and add information on how the funds are doing. Suzanne could ask from Howard for more updates although this could have a cost attached to it. The Committee wants an all funds update and asked Suzanne to bring a sample to the next meeting as to what she may be able to provide.

### **Public Comments**

There were no public comments.

### **State DC Plan Amendment-Heidi Dineen**

Heidi Dineen, Attorney Generals Office (AGO) informed the Committee than she and Suzanne had spent some time with Buck consultants who are performing the performance audit and they are doing a meticulous review of our documents.

They noted in the State DC Plan that Higher Education was taken out of Retirement Choice due to previous legislation and that we needed to amend the plan document to reflect that change. The Fourth Amendment was in the Committees' packet with the said changes consistent with the statutory changes that were made at that time. This amendment also made clarifications to employers that are or are not eligible.

**Dave Loomis made the motion to adopt the amendment per Heidi's direction.**

**David McDermott seconded the motion.**

**The motion passed unanimously.**

**FY09 Contract**  
**Renewals-Suzanne**  
**Kubec**

Fiscal year 2009 is the first year to exercise the option to renew with the 457 record keeper Great West; the three bundled providers for the State DC Plan; Great West, Hartford and ICMA; the Stable Value Fund Manager Great West and the Plan consultant Arnerich. The Stable Value Fund Manager, the State DC providers and the consultant renewals are all approved. However, ICMA has some concern regarding the reimbursement since they are unable to sustain the accounts with low participation. Great West and Hartford have accepted the renewal and costs. Suzanne will be providing the bundled providers the fee reimbursement for FY09 by June 1st. Suzanne is estimating \$60,000 each. For the 457 with Great West Suzanne is discussing an amendment with Rick Kramer regarding more strict language with the performance standards

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

Suzanne reviewed the meeting that took place between PERA and DPA in which the purpose was to discuss the feasibility of consolidating the administration of the State DC Plan and 457 Plan from DPA to PERA. The three Committee members that were in attendance were Billy Kwan, Patrick Byrne, and Joann Vondracek. There are many issues that were discussed some of the main topics were as follows; 1) 100% vesting for current participants in the State DC Plan with future vesting under PERA DC vesting schedule for those who join after implementation date. PERA has stated that they need the forfeitures from the employer contributions to fund administration of the plan, 2) Providing availability of 401(k) Plan to all DC participants after implementation. By statute everyone would be a member of the Association therefore everyone would have the option of the 401(k), 3) Bundled provider contracts would be consolidated into the one provider for the PERA DC Plan. PERA is looking at consideration of different providers for the PERA DC separate from the PERA 401(k) plan, 4) The Committee, actually Legislature, needs to consider terminating the match plan before consolidation. There would need to be a discussion regarding current loans in the Match Plan which would be due immediately upon termination of the Plan.

Ben Stein asked about the vesting issue, are there any other alternatives to fund this. Meredith Williams, PERA responded that very few DC plans offer the 100% vesting obviously it can be done since DPA is currently doing this. But he also asked the Committee to keep in mind that someone has to pay the bill. He went on and stated that there was possibly a variety of ways to do this. The Colorado General Assembly would have some say in the vesting matter as their situation is very unique.

Ben also asked about PERA subcommittees and he believed that subcommittees were designed by the Board of Trustees not by statute. If the board so desired could they take DC plans out of the benefits subcommittee and move to it own unique committee by a board act. Meredith stated PERA's board committees are ever evolving and it is up to the board's discretion. The PERA Board has a very definitive governance structure and it is reviewed periodically so it may be possible that the committee structure could change at some point.

Senator Tochtrop asked of Suzanne the number of elected officials in the DC Plan. Suzanne will have that information at the next meeting.

Suzanne next reviewed the handout entitled Consolidation of DC Plans-Options. This is a detailed list of 5 different options that the Committee had previously discussed:

1. Move both state plans under PERA as of 7/1/09. This is the only option that addresses all of the issues identified by DPA, as well as the recommendation to the JBC in January 2008. DPA, Committee, and PERA further discussed this on 5/20/08.
2. Create a separate authority – Budget estimate is \$2.5 million, current FY08 appropriation for both Plans is \$989,282.00. It is recommended to have 8 FTE (full-time employee) if an authority is established.
3. Move State DC to PERA, keep 457 at DPA – DPA would need additional resources e.g. 1.5 FTE (Tech IV, and Accountant II (.5)), total cost \$1.2 million, approx. \$209,824.00 over current FY08 appropriation. Total recommended FTE is 4.5.
4. Keep both plans under DPA, make separate line item. – DPA would need additional resources. In terms of staff, DPA would request one FTE from Benefits move to DC Plans (Tech IV) and request 3.5 FTE to manage the Plan, including GPV, Accountant III, and adding a Tech IV and Accountant II (.5 FTE), for a total of 4.5 FTE. Total cost is \$1.3M, which is \$177,594 over current FY08 appropriation. Option 4 on attached spreadsheet.
5. Move to established authority e.g. (FPPA) – According to Fire & Police Pension Association of CO, rules, and statutes (CRS 31-31-102(3), an eligible employer is a municipality, which the State of CO is not. Therefore, if the Committee wants to continue with this option, legislation and further discussion with FPPA would be required. FPPA has 100 municipalities currently enrolled.

Senator Tochtrop said she liked option 1 because to increase FTE would be difficult at best. David McDermott was surprised that option 1 was at zero cost. Heidi Dineen, AGO stated that there would be some legal costs and maybe communication. David McDermott also stated that an authority must be completely separate if the Committee were to go that route.

David McDermott asked the question of PERA about the cost of \$2 million to take these plans per the option sheets. Meredith, PERA, responded that PERA has economies of scale. They will look at the costs and make sure there is no subsidizing of plans.

**Ben Stein made the motion to begin formal negotiations with PERA to develop legislation to transfer both the 457 and 401a Plans under PERA administration. Therefore the Committee would be considering Option 1. If this doesn't work the Committee will look back at the other options. Legislation would be in place by January 1, 2009. Patrick Byrne seconded the motion.**

**Dean Conder asked for a roll call vote. Dean-no, David McDermott-yes, Senator Mutzebaugh-yes for now, Joann Vondracek-yes, Dave Loomis-yes, Billy Kwan-yes, Patrick Byrne-yes, Ben Stein-yes, Senator Tochtrop-yes.**

**Motion passed by majority: 8/1**

The next steps will be to begin subcommittee meetings to discuss issues. The members will be Joann Vondracek, Dave Loomis, Billy Kwan, Patrick Byrne, JeffCo, DPA and PERA. Suzanne will discuss with Katy, PERA, to coordinate calendars with all attendees.

**Review of FY06  
Prior years audit  
recommendations  
for 457 Plan –  
Suzanne Kubec**

Suzanne reviewed the FY06 Audit report on the 457 Plan. She reviewed the recommendations and the detail provided on page 8 of the document. Suzanne stated that some of the items were incomplete due to a shortage of staff.

David McDermott disagreed on the auditor's position on loan classifications. Heidi stated that it is governed by IRS regulations and David questioned if IRS overrules GAP reporting; Heidi stated yes. Suzanne will set up a meeting to discuss this item in more detail. The participants in this meeting will be Brenda Berlin, Suzanne, Joann Vondracek, Great West and David McDermott.

**Adjourn**

**Dave Loomis made the motion to adjourn. Senator Mutzebaugh seconded the motion. The motion carried unanimously.**