

# State of Colorado



**Bill Ritter, Jr.**  
Governor

**Rich Gonzales**  
Executive Director

**Jennifer Okes**  
Deputy Executive Director

**F. David Loomis**  
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 July 12, 2007 **Note Room Change**  
**PLACE:** 1313 Sherman Street, **Room 220**  
Denver, CO 80203

**TIME:** 8:30 a.m. - 4:30 a.m.

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|---|------------|
| 1. Refreshments   | 8:30 a.m.  |
| 2. Roll Call  | 9:00 a.m.  |
| 3. Approval of Minutes – June   | 9:02 a.m.  |
| 4. Approval of Agenda   | 9:07 a.m.  |
| 5. Announcements – Suzanne Kubec  | 9:10 a.m.  |
| 6. Public Comments  | 9:30 a.m.  |
| 7. Elect Chair, Vice Chair, Executive & Hardship Committees               | 9:45 a.m.  |
| 8. Indirect Costs Analysis – Brenda Berlin, DPA Controller                | 10:00 a.m. |
| 9. FY08 Project Plan – Suzanne Kubec                                      | 10:15 a.m. |
| -----Break-----   | 10:30 a.m. |
| 10. Strategic Planning – Plan Analysis & Evaluation                       | 10:45 a.m. |
| 11. Benefit Administrators Recognition                                    | 11:45 a.m. |
| -----Lunch-----   | 12:00 p.m. |
| 12. 457 Reserve Account Default Fund, Discussion – Vote                   | 1:30 p.m.  |
| 13. 457 Plan Document 6 <sup>th</sup> Amendment – Heidi Dineen, AG Office | 2:00 p.m.  |
| 14. 457 Plan Annual Marketing Review – Andrew Ahrens, Great-West          | 3:00 p.m.  |
| □ Updated 457 Website   |            |
| 15. State DC Enrollment – Hartford, ICMA, Great-West                      | 3:30 p.m.  |

The next Deferred Compensation Committee meeting will be on **August 9, 2007 at 1313 Sherman St., Room 220**. The Executive Committee meets to discuss agenda items one week prior to each committee meeting. Since the time and place vary, please call 303-866-3434 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 Suzanne Kubec at 303-866-3954 within 72 hours of meeting date.

**Minutes of the Meeting of July 12, 2007**  
**1313 Sherman Street, Room 220**

**DEFERRED COMPENSATION COMMITTEE**

**Present:** Dave Loomis            Rep. Richard            Sen. Lois Tochtrop  
              Billy Kwan            Mutzebaugh            Dean Conder  
              Les Shenefelt        Joann Vondracek  
              Ben Stein-  
              excused

**Attendees:** Department of        Suzanne Kubec        Karen Fassler  
                  Personnel &        Brenda Berlin        Paula Manzanares  
                  Administration  
  
                  Hartford            Bill Abramowicz        Donna Delong  
  
                  Department of        Renee Strauss        Beth Amesquita  
                  Public Health  
  
                  Department of        Glenda Barry        Shannon Weston  
                  Labor and  
                  Employment  
  
                  Great West        Rick Kramer        Kevin Navarro  
                                  Andrew Ahrens  
  
                  Attorney            Heidi Dineen  
                  General's  
                  Office

**Roll call** Dave Loomis called the meeting to order.  
Paula Manzanares called the roll.

**Approval of Minutes**        **Representative Richard Mutzebaugh motioned to approve the minutes.**  
**- July 14, 2007**        **Senator Lois Tochtrop seconded the motion**  
**The motion carried unanimously.**

**Approval of Agenda**        Dave Loomis suggested adding a discussion about attendance at the annual National Association of Government Defined Contribution Administrators (NAGDCA) conference. NAGDCA was added to the agenda after item 7. Committee elections. Otherwise the agenda stood approved.

**Announcements-  
Suzanne Kubec**

Suzanne welcomed Paula Manzanares as the new Technician IV to the Employee Benefits Unit. She stated that Paula will administer hardships, QDROS, meetings notices, distribution of packets and assist Suzanne in daily activities

**Stable Value Fund  
Rates**

The Stable Value Fund (SVF) rates remained the same for third quarter at 4.75% for State DC and 4.80% for the 457 Plan.

**Consultant RFP**

Suzanne initiated an amendment to extend the current Arnerich contract to complete the RFP process. The amendment was approved June 29, 2007. She has through August 30, 2007 to finalize the new contract with Arnerich.

**Follow-up from  
May meeting  
Great West  
loan issue**

The Committee had asked Great West to provide the cost of the manual process of sending a monthly loan letter. Since that time Great West has revised the monthly loan letter and will monitor the cost for the next few months and will report back to Suzanne.

**Correction to  
Providers FY08  
Reimbursement**

The FY08 reimbursement from the providers will be \$80,847.00 instead of \$74,180.33. Although Suzanne noted that there was an additional \$20,000 added in for the shortfall from the first year of the contract, Suzanne failed to calculate it in the spreadsheet. Great-West provided the reimbursement on time. Suzanne has not received payment from ICMA and Hartford to date.

**ICMA Vantage  
Trust American  
Century Ultra  
Fund**

The American Century Ultra Fund is not part of the State DC Plan fund line-up. The Committee was concerned about ICMA making a unilateral change without consulting them. Suzanne will discuss with Gary Helm, ICMA-RC, if any fund terminations are considered to be sure to notify the Committee first per the contract.

**Follow-up-  
Ameritrade funds**

Theresa Myers, Great West, offered to provide to the Committee the number of funds within the Self-Directed Brokerage Option (SDBO). There are more than 480 mutual fund families with more than 13,000 mutual funds available. In addition Ameritrade offers more than 1300 no-load or no transaction fee funds. The Plan is an "open brokerage" which means all securities (mutual funds, bonds, and stocks) are available to the participants. Great West is waiting to hear from Ameritrade on the socially responsible funds available; however, like the Committee discussion last month, Ameritrade stated that defining Socially Responsible Funds (SRF) is different for everyone.

**Collateralized  
Debt Obligations  
in Stable Value  
Fund –**

Billy Kwan had forwarded an article to Suzanne that resulted in his question about what exposure the Plan has to Collateralized Debt Obligations (CDO's) in the SVF. Suzanne asked the question of Al Cunningham at Great West and he responded that the State of Colorado SVF does not hold any CDO's.

**Correction to the Sudan letter**

Suzanne provided an update to the Sudan divestment letter. The first step is for the Committee to adopt a list of the Scrutinized companies. [See CRS 24-54.8-103(1)] The list must be adopted by the first public meeting after the expiration of the 90-day period following the signature of the Act. C.R.S. 24-54.8-103(1) and (2).

The bill was signed on April 19; therefore 90 days would be July 18, after today's meeting. Suzanne originally thought the letters had to be sent and replies received by July 19. Therefore, the Committee needs to adopt a list by no later than its August, 2007 meeting.

Suzanne asked Howard Biggs, Arnerich, if he can provide a list of scrutinized companies and what the cost would be for that. Howard provided a detailed review of the bill and stated that Arnerich does not maintain a certified list of scrutinized companies and that the firm is not an organization that would qualify as a research firm specializing in screening companies for Sudanese investments and would not be a qualifying source for the list. Howard also stated that based on his interpretation of the bill, a public fund must create the list and it must be publicly available. Once publicly available it would seem that it could be used by any public fund under the bill. Heidi Dineen, Attorney General's Office (AGO) has recommended that the Committee adopt the list that PERA develops and makes public at their meeting next week. A draft letter to investment managers was in the current packet that needs final Committee review specifically the language referring to providing a list of scrutinized companies. The Committee discussed this at length. Billy was concerned about the basis for adopting the list. Heidi stated that we could add a statement to the letter to address Billy's concerns. Dave stated that we could adopt a policy that we accept PERA's list and hold a hearing if anyone challenges the list.

**Joann Vondracek made the motion, when PERA's list is available that the Committee adopt PERA's list on companies that invest with Sudan and hold a hearing if the list is challenged.**

**Senator Tochtrop seconded the motion.**

**The motion carried unanimously.**

**July Announcements- Suzanne Kubec- Election 2007**

Election ballots were counted on July 3, 2007 and the new member is Ben Stein from Colorado Department of Transportation (CDOT). Ben was unable to attend today, due to a previous conflict. He is very excited to be serving on the Committee again. The totals for the election were 1160 votes for Ben, 363 votes for Ken Johnson, 5 votes with no response and 1 voted for both candidates. Suzanne also received 5 change of address requests. There were 308 ballots returned for insufficient address. For future elections, Suzanne researched the cost of the ballots versus sending a postcard, as a reminder to an on-line election. The total cost to date for the ballots

is \$10,834.73.

This included postage at .34, pre-sort for zip code at .02, return postage, inkjet setup for address, actual inkjet for address at .043, tab for each at .2 and printing of 14,978 ballots. If we had sent a postcard to remind participants to vote online postage is .24, the pre-sort, inkjet setup and inkjet of addresses, remain the same as well as printing. However, the total cost would have been \$6,139.26. This is due to the reduced postage, no return postage and no tab on the ballot. Although the election has ended the Plan still has to pay for ballots still arriving in the mail.

Therefore, Suzanne recommended that the Committee consider on-line voting for the next election with a postcard reminder.

### **Benefit Administrator's Forum**

On August 1, 2007 the Benefit Unit is holding a Retirement Forum. The purpose of this meeting is to review some basic administrative procedures for Retirement Choice and more importantly have the providers introduce themselves and to provide more group educational meetings. Although this is focused on the State retirement providers, Suzanne has also invited PERA as Suzanne would like the Benefit Administrator to meet all the representatives for all of the Plans.

### **Pre-Retirement Workshops**

The training unit of the DPA Division of Human Resources has requested a documented quote for services relating to pre-retirement workshops. The Department of Personnel has a statute that mandates pre-retirement training. Until recently, the Pre-Retirement Institute has provided these workshops. Effective July 1, Strategic Financial Partners will be providing this training. It will consist of three separate seminars targeting the following, "Early Career Financial Planning for employees with 5 or less years, "Mid-Career Financial Planning Options" for employees with 6-20 years and "Pre-Retirement Planning Options" for employees who are 1-3 yrs from retirement. Suzanne will be working closely with the Training Administrator to review and attend each presentation.

### **Public Comments**

There were no public comments.

### **Committee FY08 Elections**

**Les Shenefelt made the motion to nominate JoAnn Vondracek as chair.**

**Representative Mutzebaugh seconded the motion**

**The motion passed unanimously**

**Joann made the motion to nominate David Loomis as Vice Chair.**

**Senator Tochtrop seconded the motion.**

**The motion passed unanimously.**

The Executive Committee consists of the Chair-Joann, Vice Chair-

Dave and Billy. The alternate for the Executive Committee will be Les. The Hardship Committee consists of Joann, Dave, Representative Mutzebaugh and Billy as the alternate.

### **NAGDCA**

At the June meeting it was recommended for all of the Committee plus one staff, Rich Gonzales and the Plan attorney to attend. The Committee discussed attendance at the conference based on the criteria in the Governance Manual and decided to change the recommendation five Committee members; Plan attorney, Plan Administrator, and Rich Gonzales. Representative Mutzebaugh recommended that all of the Committee members attend the conference. It is in their best interest from a liability standpoint. Dave suggested other Committee members to attend other conferences instead of all members attending NAGDCA. Les, Dave, and Senator Tochtrop will not attend. Heidi recommended not attending so that the Plan Administrator would go instead. Joann suggested that half of the Committee rotate each year. A letter will be prepared for Director Rich Gonzales review. The final recommended attendees would be: Executive Director, Plan Administrator, Ben Stein, Governor's appointee, Senator Mutzebaugh, Dean Conder, Joann and Billy would be the alternate.

### **Indirect Cost** **Brenda Berlin-** **DPA Controller**

Brenda gave an overview on the indirect costs she stated that Bhavna Punatar, with the State Controllers Office (SCO), provided her with this information. There are specific agencies that do not bring in revenue; therefore the indirect costs are allocated to the programs. This affects the following agencies, DPA- (allocated to the 457 and State DC) Governors office, (OSPB) Office of State Planning, Budget and Treasury. Indirect costs are based on personal services full time wages. Les stated that the federal government sets the lag time for which the figures are being used. For FY (fiscal year) 08 the figures on based on fiscal year (FY) 04 data.

Our allocation for FY07-08 is \$27,159; FY06-07 was \$23,396. This is an increase of 16%. It was asked what is included in the increase? Brenda replied if the plan has increase in personal services; this is strictly wages on people who work on the plan.

Karen Fassler will provide an update for the Committee at the August meeting regarding time spent on the plans. The employees that are spending time on the plan are Suzanne, Paula, Michelle, and Shahram in accounting, Vinita and Karen.

### **FY08 Project Plan**

Suzanne reviewed her projects for FY07-08 which include; HB07-1184 Sudan letter, analysis of business model for 457 plan, socially responsible funds discussion, Retirement Choice on-line, HB07-1377 Retirement Choice at Community Colleges, performance audit (State DC and the 457), (RFP) Request for Proposal for (TPA) Third Party Administrator and bundled providers that will start in 2008

and the proposed DC Chapter 12 rules.

**Strategic Planning**

The Committee discussed what methodology they want to use to be sure they are reviewing all parameters of the business model. Howard Biggs, Arnerich, provided a handout with suggested issues to review. Joann explained why we are going to review the business models, to review the best model to offer the Plan, either through one TPA or through a bundled provider. Les asked to include the definition of stakeholders in the analysis. Les proposed reorganizing and provide two committees one for each plan since there are two different focuses one mandatory and one supplemental. Suzanne also stated that the Committee keeps in mind the performance audits might overlap the conclusions of the business model analysis.

Suzanne suggested alternating vendors at the monthly meetings and to keep with the one Committee meeting that we are currently using. Many of the discussions at the Committee meetings are regarding issues that cover both Plans. Joann stated that the Committee should start with alternating providers at the meetings and then review how it is working. It was suggested to utilize a Request For Information (RFI) to request parameters of the analysis from outside consultants. The Committee concluded to direct staff to send the draft parameters provided by Howard Biggs, to all of the stakeholders and follow up with a letter. The Committee suggested requesting a deadline for responses so Suzanne could ask Howard to provide an estimated cost for the project at the August meeting.

**Benefits  
Administrators  
Recognition**

Dave Loomis stated that the Committee wanted to recognize the Benefit Administrators education efforts with Retirement Choice and the 457 Plan. Dave provided a certificate to Beth Amesquita and Renee Strauss from Department of Public Health and Environment (DPHE) and Shannon Weston from Department of Labor and Employment (DOLE) with gratitude from the entire Committee.

**457 Reserve  
Account Default  
Fund**

The Committee determined that the Stable Value Fund is the least risky fund to establish the reserve account.

**Senator Tochtrop motion to use the Stable Value Fund (SVF) as the default account for the 457 reserve account.**

**Billy Kwan seconded the motion**

**The motion carried unanimously.**

**457 Plan  
document 6<sup>th</sup>  
Amendment**

Heidi Dineen reviewed the amendment's purpose which was to implement the establishment of a trust sub account per SB07-156 and also she revised the Plan's section on rollovers to permit rollovers to non-spouse beneficiaries consistent with recent changes to the Internal Revenue Code.

**Representative Mutzebaugh moved to approve Amendment 6  
Les seconded the motion  
The motion carried unanimously**

Dean asked who is the trustee? It was stated that Great West is the trustee and the Plan is the custodian. On August 3, 2007 Great West is to start the accounting on the Stable Value Fund.

**State DC  
Enrollment**

Bill Abramowicz, Hartford Retirement, provided an annual review to the Committee on for the State DC Plan as one of the providers. The information Bill provided included the quarterly bulletin provided to participants. Suzanne asked the Committee if they would like copies of the quarterly bulletins in the future. Suzanne asked Bill to provide 20 copies each quarter of bulletins for the Committee. Suzanne will ask ICMA and Great West as well.

There was some discussion asked of Bill if Hartford would consider dropping the State DC Plan. He stated that he had not considered that. He did review with the Committee that the last two reimbursements were about 1% of the total assets in the Plan under Hartford. However the current reimbursement was closer to 2% for this fiscal year. He pointed out that the average investment management fee was 98 basis points which was in line with the reimbursement for the last two years. Suzanne pointed out that the reimbursement would have been closer to 1% had the additional \$100,000 for the shortfall (\$20,000) and the performance audit (\$80,000) not been added to the request of the providers.

Andrew Ahrens, Great West provided the annual review of the State DC plans as on of the providers. They were asked the same question regarding cost to the Provider and whether they considered dropping the Plan. Rick Kramer stated it is difficult to say due to the relationship. Andrew stated that DC issues are the same for them as for Hartford.

ICMA was unable to attend due to previous conflict. However, Suzanne said she would request their presentation at the next meeting.

**457 Plan annual  
Marketing Review  
Andrew Ahrens,  
Great West**

Andrew Ahrens also provided interesting statistics for FY07 and comparisons to previous years especially distribution in relation to IRA rollover and purchase service credit.

**Adjourn**

**Representative Mutzebaugh made the motion to adjourn  
Senator Tochtrop seconded the motion  
The motion passed unanimously.**