

Members Questions for the Retirement Board

The Board conducted a series of meetings last fall with the employees and retirees of Pueblo County by visiting the County's various offices and departments, and holding meetings with the retirees. The purpose of these meetings was to allow the Board to talk directly to the members of the Pueblo County Retirement Plan. Members were invited to submit any questions they had about the Plan to the Retirement Board and several members have done so. We have made attempts to answer many of these questions directly with the individuals who raised them during and after those meetings. Many of the issues raised in that question and answer process are very important to all members of the Plan. In our continuing effort to reach out and communicate with all of our members and to properly address these questions and issues, we have put together this compilation of the issues raised and the responses from the Board.

The "13th Check"

A large portion of the questions raised by the members concerned the "13th Check". Here are the questions that were raised and the responses given by the Board:

1. Question: What is the "13th Check?"

Answer: What has been referred to in the past as the "13th check" was actually a "supplementary payment" that was issued to the retirees at the end of each year for the previous 22 years to offset the fact that the retirement plan does not have any provision for giving annual cost of living adjustments. This annual check supplemented the normal monthly checks the retirees received. But this annual check was not actually a 13th check because it wasn't intended to be an equivalent of the other, normal monthly retirement checks. The amount varied from year to year from anywhere between 1% and 5% of the retirement benefit amount, and the decision to make the payment is considered to be a discretionary decision by the Board made each year as to whether to issue a supplementary check and, if so, the amount. The Board made a decision last fall to end the supplementary check practice for the time being until the funded ratio deficit of the Plan is closed through cost cutting, increased contribution, and investment diversity practices instituted by the Board at the end of last year and this year.

2. Question: Why has the Board paid the 13 check when they are taking money from active employees because we have a short fall?

Answer: Actually, the Board has not done this. The fact of the size of the funded ratio deficit and the best solutions to reverse it were not determined until the meetings of the Board held in the early part of 2006. Once those things had been determined the Board took the issue to the Board of County Commissioner to obtain their approval for the contribution increase and then took the decisions of the Retirement Board and the Board of County Commissioners to the employees themselves. The first phase of the

contribution increase plan was then adopted and implemented effective January 1, 2007. The Retirement Board then took up the decision of what to do about the supplementary check for 2006 and for the immediate future, and made a decision to issue one last, greatly reduced, supplementary check payment in December of 2006 and then end the practice for the foreseeable future until the funded ratio deficit of the Plan is closed. That last payment was made to ease the reliance on the payment by the retirees and to equitably share the “pain” of belt tightening to reduce the deficit between retirees and the current employees. Now that 2007 is here, and the employees and the County are paying the increased contributions, the supplemental check practice has ended, at least for the foreseeable future.

3. Question: Many members never knew about the 13th check. Was it a secret?

Answer: All decisions about the supplemental check payments were made in open Retirement Board meetings and reported in its official minutes. The board did not intend for this to be a secret. The Board has now begun a much more extensive program to keep its members informed by notifying anyone interested of future meetings and pending issues through its webpage and email, publishing its minutes on its webpage, and conducting periodic meetings with employees in their own departments to discuss issues and concerns directly with its members. Our hope is that our members always know what issues the Board is dealing with and our members always have a convenient avenue to raise questions, discuss concerns, and have input into all decisions.

4. Question: Why doesn't the membership vote on whether to give the 13 check out?

Answer: By law, it is the responsibility of the Retirement Board to make decisions regarding the plan.

Board Expenses

1. Question: Why does the Retirement Board pay for lunch and donuts for our consultants? Why does the Board pay lunch and donuts for its own members?

Answer: Paying for lunches for the consultants and managers was a practice started by the Board years ago in order to avoid having the consultants and managers give gifts to the Board. That practice has now been discontinued as one of our cost savings measures. Donuts are still being offered at the monthly Board meetings for anyone attending the meetings, including board members and guests.

2. Question: Why does the Board pay \$11.00 a page per person for our annual retirement summary statements?

Answer: An annual retirement summary statement for each of our members is seen by the Board as a valuable tool for our membership to help them understand and properly plan for their individual retirements. Prior to 2007 those statements

were provided by our contracted actuary. As one of our cost cutting measures we have discontinued the payment to our actuary for these statements and we are in the process of designing an internal process for producing future retirement summary statements for each of our members.

3. Question: Does the Retirement Board provide a detailed expense summary at its monthly meetings?

Answer: Yes. The information is passed out at each meeting and discussed by the Board. All information in the reports is public and available to the members, except information concerning distributions and payments to named retirees and terminating employees which is considered confidential by law. (Joel: do we post these reports after we remove the approved benefit disbursement?)

Administrator Position

1. Question: Is the Board's plan administrator a County employee? Does the compensation plan of the County and its rules apply to him?

Answer: No. The Board's plan administrator is not a County employee but is an employee of the Retirement Board which by law is a separate legal entity from the County. As such, the County's compensation plan and its rules do not apply to him unless the Board chooses to apply them to him.

2. Questions: Why have the annual raises given to the plan administrator been at different levels from those given to County employees?

Answer: Since the plan administrator is not a County employee the Board makes independent decisions as to compensation for him from those made by the Board of County Commissioners for County employees. Our current plan administrator, Joel Thompson, was hired a few years ago at a salary substantially less than what the Board had paid his predecessor. That was because his predecessor had a great deal of experience and the Board wanted to work with Joel in a probationary manner until he learned the job and gained experience. Joel exceeded the expectations of the Board and became adept at performing his job rapidly. Because of that, the Board chose to then accelerate his compensation advancement to bring him more quickly into line with the level of compensation paid to his predecessor. We are very please and proud of the work that Joel performs for the Board as well as for the members of the plan and we have made the decisions that we feel have been appropriate to set his salary fairly for the work he does. Of course a major factor that has been considered by the Board in the past, and to be considered by the Board when making future decisions, is what is happening with the compensation being paid to our members, the County employees.

3. Question: Does the plan administrator pay for his health benefits, over his flex dollar amount, from?

Answer: Yes, the plan administrator pays for any expenses over the flex dollars in the same manner as County employees.

Board Structure

1. Question: Why are two board members of the Retirement Board appointed by the BOCC and the membership only elects two?

Answer: The make up and manner of appointment and election of county retirement board members are determined by Colorado law.

2. Question: What are associate members of the Board? What are the purpose and duties of associate members?

Answer: The Board created the associate board member positions as ad hoc, non voting positions to keep past members of the Board involved so they may share past information, history, and acquired experience with current board members. All associate members have served on past boards and are appointed by the current voting members of the Board. Their roll is advisory.

3. Question: How do the associate members communicate with the rest of the retirees?

Answer: This has been left to the associate members.

4. Question: Can voting members of the Retirement Board be recalled?

Answer: Colorado law does not provide for recall of these positions.

5. Question: Is it a conflict of interest to have a retired employee from Pueblo County as an appointed member?

Answer: No. There is nothing that prohibits a Pueblo County retiree from becoming an appointed member of the Retirement Board. This is no more of a conflict than current employees serve on the Board as elected members. Many believe that it is to the benefit of the Board to have individuals with a stake in the Plan's success being on its governing board.

6. Question: Why do we pay two board members \$50 to attend each meeting? Do those members turn in an itemization of their expenses?

Answer: The intent of the \$50.00 paid to both appointed board members was to cover their time and expenses. This expense payment has been considered a per diem type of expense reimbursement and therefore no itemized expense reports are required. The decision to terminate the \$50 fee is currently being discussed as a cost saving measure.

Professional Services

1. Question: Does the Retirement Board put its consulting services out to bid? Are we really getting what we pay for?

Answer: The Board is confident in the professional services it receives from its consultants and advisers. However, the Board feels all services should be put out to bid from time to time to assure the quality and competitiveness of its contracted services and is currently discussing placing all of its contracted services out for a RFP process for 2008.

2. Question: Why doesn't the Board set the investment advisor fees to a percentage of return of investments so they have an incentive to make us money instead of a flat fee for service?

Answer: The best method of compensating investment advisors is by utilizing a flat fee according to current industry standards for fiduciaries. This is to make sure the sole motivation of the advisor is the best interest of the fiduciary and the retirement plan rather than any conflicting or ulterior motivation to improve its own investment portfolio. In addition this caps the income of the advisor and allows the plan fund to enjoy the maximum benefit of the returns on the investment.

Portfolio Performance

1. Question: Can the Board show a historical record of the rate of returns the county investments have earned over the past 20 years and **include** any detailed analysis on its performance in relation to the market at the time? How often is this type of analysis provided to the Retirement Administrator and the Board?

Answer: Yes, the data can be obtained from the Retirement Administrator and it can also be found on the Retirement Board web site for your review at: www.co.pueblo.co.us/retirement/. Current and updated information of this type is available to the Retirement Administrator and the Board at any time from the investment advisor and current, updated information is formally provided to the Board by the investment advisor on at least a quarterly basis.

Communications with Membership

7. Question: Would the Retirement Board agree to send out a survey to the members asking them questions about the Board's service and asking for suggestions?

Answer: Good question/suggestion! Discussion of this suggestion will be taken up by the Board at a future meeting.

8. Question: Is the Board making any plans to increase the amount of communication it has with the members?

Answer: The Retirement Board not only welcomes questions and interest from all of its members, whether employees or retirees, it encourages the questions and interest. Our goal is to keep open communication between the Board and the members. Our web site is a good example of our efforts to communicate and we invite all members to join us each month for the meetings.