



# Employer **COLORADO PERA** Employer Manual

The *Colorado PERA Employer Manual* has not been updated to reflect provisions of Senate Bill 1 or Senate Bill 146; in the interim, please refer to the *Senate Bill 10-001 Employer Training and Round Table Discussion* for more information on how this legislation relates to PERA-affiliated employers.



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## Section 1—Introduction

The Colorado Public Employees' Retirement Association (PERA) was established by Colorado State law in 1931 and provides retirement income and other benefits to its state, school, local government, and judicial members.

### **Administration**

PERA operates by authority of the Colorado General Assembly and is administered under Title 24, Article 51 of the Colorado Revised Statutes. By State law, the management of PERA is vested in the PERA Board of Trustees.

Effective July 1, 2007, the Board of Trustees is comprised of 15 Trustees as follows:

- Three Trustees are appointed by the Governor of Colorado with the advice and consent of the State Senate.
- Three Trustees are elected by members of the State Division.
- Four Trustees are elected by members of the School Division.
- One Trustee is elected by members of the Local Government Division.
- One Trustee is elected by members of the Judicial Division.
- Two Trustees are elected by retirees.
- The Colorado State Treasurer is an ex-officio Trustee.

The Board of Trustees appoints an Executive Director to administer PERA. The Executive Director is responsible for the operations and staffing necessary to invest PERA contributions and pay PERA benefits.

### **Purpose of the *Employer Manual***

To administer its benefits programs, Colorado PERA relies upon you to enroll PERA-eligible employees for membership; remit PERA contributions on members' PERA-includable salary; complete necessary forms; and provide other information necessary for the operation of the plan. The purpose of this *Employer Manual* is to provide you with information to accurately and efficiently provide this information to PERA. We thank you for your efforts.

### **Colorado PERA Mission Statement**

To promote long-term financial security for our membership while maintaining the stability of the fund.

### **Colorado PERA Vision Statement**

To become the retirement plan of choice for all Colorado public employees.

*This Employer Manual provides general information about PERA membership benefits and employer responsibilities related to PERA members and the contribution reporting process. PERA membership rights, benefits, and obligations are governed by Title 24, Article 51, of the Colorado Revised Statutes, and the Rules of the Colorado Public Employees' Retirement Association which takes precedence over any interpretations in this Employer Manual.*

## **Colorado PERA Contact Information**

### **Denver Main Office**

1300 Logan Street  
Denver, CO 80203

### **Phone**

303-863-3724 or 1-800-221-2627 ext. 3724 (PERA Employer Relations Hotline; reserved for employers only)

303-832-9550 or 1-800-759-7372 (PERA Customer Service Center)

### **Web site**

[www.copera.org](http://www.copera.org)

### **Denver Main Office Hours (Mountain time)**

7:30 a.m.–4:30 p.m. (Monday–Friday)

### **Westminster Office**

1120 W. 122nd Avenue  
Westminster, CO 80234

### **Westminster Office Hours (Mountain time)**

Monday 7:30 a.m.–4:30 p.m.

Tuesday 7:30 a.m.–4:30 p.m.

Wednesday 1:00 p.m.–4:30 p.m.

Thursday 7:30 a.m.–4:30 p.m.

Friday 7:30 a.m.–4:30 p.m.

### **Customer Service Center Hours (Mountain time)**

7:00 a.m.–5:30 p.m. (Monday–Thursday)

7:00 a.m.–4:30 p.m. (Friday)

### **If It Doesn't Have the Colorado PERA Logo, It's Not PERA**

The best information about PERA benefits comes from PERA representatives. There are private companies using the PERA name, or something very similar, to encourage PERA members to come to meetings to learn about their PERA benefits. PERA has a team of Field Education Representatives who can give employers and employees the best and most accurate information about PERA.

Colorado PERA is not responsible for any information provided by any vendor or individual not employed by Colorado PERA, nor for any materials not originated or distributed by Colorado PERA.



## Section 2—Employers and Colorado PERA

PERA currently has 405 affiliated employers. These employers include the State of Colorado; all school districts except Denver; the judicial system; and many municipalities, special districts, public health departments, and other local government entities.

PERA assigns employers an Employer Number for recordkeeping and communication purposes. If you are unsure of your Employer Number, please contact PERA's Employer Relations team at 1-800-759-7372 ext. 3724 or 303-863-3724.

Each employer is in a PERA division as established under State law:

### State Division

State employers include the State of Colorado, the General Assembly, any state department, board, commission, bureau, agency or institution, state university, state college, community college, the Colorado Association of School Boards, Colorado Association of School Executives, Special District Association of Colorado, Fire and Police Pension Association, Colorado High School Activities Association, Colorado Water Resources and Power Development Authority, Colorado Consortium for Earth and Science Education, and Public Employees' Retirement Association.

### School Division

School employers include all school districts, including charter schools, (except Denver Public Schools) Boards of Cooperative Educational Services (BOCES), Board of Cooperative Services (BOCS), and vocational schools.

### Local Government Division

Employers include any city, municipality, county, housing authority, special district, library district, regional planning commission, public hospital, county, district health department, or local public agency other than the State of Colorado.

### Judicial Division

All judges of the Supreme, Appeals, District, and County Courts, and Denver Probate and Juvenile Courts.

### Employer Responsibilities

The rights and obligations of PERA members and employers are governed by Colorado State law and PERA Rules. We encourage you to have current copies of both *PERA Law* and *PERA Rules*; both of these booklets can be ordered or downloaded from the PERA Web site.

It is the responsibility of PERA employers to do the following:

- Enroll employees in PERA membership as required by Colorado State law. Section 3 of this *Manual* explains employees who are eligible for membership, those for whom membership is optional, and those employees exempt from membership.
- Remit PERA member and employer contributions on salary subject to PERA contributions and life insurance premiums in a timely manner.
- Provide PERA with employment, salary, and other related information for current members and former members so that PERA can make accurate determinations under Colorado State law concerning member's benefit entitlements. Section 5 of this *Manual* explains information which PERA may require in these situations.

- Provide PERA with information necessary to process retirement benefits, disability benefits, and survivor benefits in a timely and accurate manner. Sections 6, 7, 8, and 9 of this *Manual*, respectively, explain PERA's retirement process, working after retirement, disability process, and survivor benefit process.

### Resources for Employers

PERA has dedicated staff ready to assist employers in complying with these requirements. In addition, we have a variety of publications that also provide information and assistance to employers. Publications can be ordered by contacting PERA or from PERA's Web site.

### PERA Employer Representatives

PERA Employer Representatives (ERs) within PERA's Benefit Services Division are assigned to assist employers with any questions about our electronic contribution reporting system (STARS), salary, and coverage. ERs also serve as your primary contact for questions about PERA.

**For questions about STARS or STARS training, please contact the Employer Relations team at 1-800-759-7372 ext. 3724 or 303-863-3724.**

<i>Employer Number/Agency</i>	<i>Employer Representatives</i>
Central Payroll, 54, 580	Annette Cote 303-837-6256
42, 75, 200-390	Chris Hoehle 303-863-3840
390-489, 670-859	Jesse Murillo 303-863-3889
490-669, 700	Chad Hursh 303-837-6229
860-949 and State agencies that do not report through Central Payroll	Randy Spencer 303-837-6239
59, 90, 910, 915, 916, 920, 944, 950-999	Angie Byrne Employer Relations Manager 303-863-3879
<i>401(k) and PERA's Defined Contribution Plan</i>	<i>Employer Representatives</i>
	Jeffrey Cable 303-837-6217
	Rose Montano 303-837-6238



## PERA Field Education Representatives

PERA's Field Education staff conduct a variety of meetings for members at various stages in their careers. In addition to the meetings listed below, a Field Education Representative can also set up information programs for your employees. Employers may request an on-site training meeting through their Field Education Representative—there is no charge for this service. This training may be conducted by Field Education, Employer Representatives, or both. If you feel such a meeting would be helpful, please contact your Field Education Representative listed below.

**General Active Meetings:** You may request that a presentation be made to your employees covering PERA's entire benefit program or specific PERA-related topics. These meetings can be organized as a new employee orientation, a general active meeting, a "PERA—Early in Your Career" meeting, a preretirement planning session, or an employment termination meeting. The length of any of these meetings is determined by the employer.

**Information Tables:** Employers may request that PERA representatives staff information tables for in-service days, staff orientation days, tax-deferred investment planning sessions, and other events.

**Benefit Information Meetings:** PERA hosts informational meetings around the state throughout the year. Employers are asked to publicize these meetings and encourage their employees to attend.

**Group Workshops:** These informal workshops have a question and answer format and members will benefit from hearing questions or issues from other members attending the session.

**401(k) Meetings:** These meetings will provide a general overview of the Colorado PERA 401(k) Plan. These meetings are especially suited for those members considering additional retirement savings or who wish to later purchase service credit.

**To schedule a meeting or for questions about PERA benefits, please contact your Field Education Representative at PERA.**

<i>Employer Number</i>	<i>Field Education Representatives</i>
1-74	Gordon Steuck 303-863-3855
75-154	Thomas Shofner 303-837-6289
155-222	Kirsten Strausbaugh 303-863-3809
223-391	Nadine Grosjean 303-837-6215
392-499	Aimee Buchholz 303-863-3706
500-779	Shane Linart 303-863-3861
780-991	Rick Chase 303-863-3790
	Dennis Gatlin Field Education Manager 303-863-3788



## Publications

PERA publishes a variety of brochures, booklets, and fact sheets to provide information on PERA benefits and programs. All PERA publications can be found on the PERA Web site.

PERA also publishes a *Member Report* newsletter three times a year, which is mailed to all active and vested inactive members (those with more than five years of service credit). A *Retiree Report* newsletter is published twice a year and mailed to all benefit recipients. Inactive PERA members receive an *Inactive Member Newsletter*, which is mailed once a year. In addition to these newsletters, *Topics*, a newsletter for Colorado PERA-affiliated payroll/personnel staff, is published electronically as needed to inform employers of specific issues.

Each June PERA publishes a *Comprehensive Annual Financial Report (CAFR)*, which contains financial statements, investments, actuarial, and statistical information. A *Summary Annual Financial Report* is mailed to all members and benefit recipients. Each employer receives a copy of the *CAFR* and the *Summary*.

PERA staff also can provide informational articles about PERA and its benefits for employer newsletters. Please contact your Field Education Representative if you are interested.

Each year, all active members and vested inactive members receive an individualized *Annual Member Statement*. *Statements* are sent about two months after the member's anniversary date of PERA membership. The *Statement* includes the balance of the member's contribution account, account service credit, salary reported to PERA, and other information about benefits. The *Statement* is also available online for those members who have a PERA PIN for access to their secured account information.

PERA's award-winning Web site also has a variety of information about PERA and its benefits. Publications and forms may also be ordered or downloaded through the site. The site also has several calculators to help members develop financial plans.

The Employer section on the PERA Web site has a variety of useful information such as previous issues of *Topics*, the *401(k) Employer User Guide*, and a listing of affiliated employers.

## Section 3—Membership in Colorado PERA

At the end of 2006, PERA had 189,508 active members; 131,402 inactive members; and 74,578 benefit recipients—a total of 395,488 members and benefit recipients.

For most employees of PERA-affiliated employers, PERA membership is a substitute for Social Security. A small number of PERA employers have both PERA and Social Security. Membership is required for most employees of PERA employers except in those cases where PERA membership is optional or where PERA membership is not allowed.

### Required Membership

State law requires Colorado PERA membership as a condition of employment for the following employees who are not Colorado PERA retirees returning to work as a retiree:

- All employees who work for Colorado PERA-affiliated employers in positions that require coverage. This includes all full-time, part-time, temporary, seasonal, and substitute employees.
- An employee of a Colorado PERA-affiliated employer who previously worked in a position covered by another retirement program and transferred to a new position where Colorado PERA membership is required, either at the same employer or at another employer, must be covered upon beginning the new position.
- An employee of a Colorado PERA-affiliated employer who works in a position covered by another retirement program and concurrently works in a second position where PERA membership is required, either at the same employer or at another employer, must be covered by PERA for the PERA-covered position only.
- An employee of a Colorado PERA-affiliated employer who works in a position which is ineligible for PERA coverage and transfers to a new position where PERA membership is required, either at the same employer or at another employer, must be covered by PERA upon beginning the new position.
- An employee of a Colorado PERA-affiliated employer who works in a position which is ineligible for PERA coverage and concurrently works in a second position where PERA membership is required, either at the same employer or at another employer, must be covered by PERA for the PERA-covered position only.

### Retirement Choice for Eligible State Employees

State law requires that new eligible State employees hired on and after January 1, 2006, have 60 days after being hired to select the current PERA DB plan, the PERA DC Choice plan, or the State DC plan established by C.R.S. §24-52-201 *et seq.* All new State employees are eligible for this option (new community college employees will be allowed to select from either the PERA DB or PERA DC plan only after January 1, 2008). To be eligible, new State employees:

- Must not be currently working for a PERA-affiliated employer.
- Must have a 12-month break in service if previously employed by a PERA-affiliated employer.
- Must not be a PERA retiree unless serving as an elected official.

If no election is made within 60 days, PERA defined benefit coverage is required. If the employee has previously made such an election, terminated and been rehired within 12 months of termination, the employee resumes coverage in the previous retirement plan.

If the employee has previously made such an election, terminated and been rehired more than 12 months after termination, the employee may re-elect retirement coverage.

New employees eligible for choice are encouraged to contact PERA or State DC Plan vendors to discuss these plans.

The State of Colorado maintains a Web site to assist its employers who have employees eligible for retirement program choice with the choice and enrollment process.

To determine the status of a new hire, use PERA's online tool in the secured Employer pages on the PERA Web site.

### **Optional Membership**

Under State law, certain employees who are not PERA retirees returning to work as a retiree may choose PERA coverage or coverage under another retirement program. These include the following employees:

- Elected members of the General Assembly may select PERA coverage or coverage under the State of Colorado Defined Contribution Plan established by C.R.S. §24-52-201 *et seq.* within 60 days of taking office. If no election is made within 60 days, PERA coverage is required.
- Only elected members of the General Assembly who took office before January 1, 2006, have the option on an annual basis to change their retirement program election. Elected members of the General Assembly who took office on and after January 1, 2006, do not have this annual option.
- Elected State Officials, as defined at C.R.S. §24-52-202(3), may elect PERA coverage or coverage under the State of Colorado Defined Contribution Plan established by C.R.S. §24-52-201 *et seq.* within 60 days of taking office. If no election is made within 60 days, PERA coverage is required.

Only Elected State Officials who took office before January 1, 2006, have the option on an annual basis to change their retirement program election. Elected State Officials who took office on and after January 1, 2006, do not have this annual option.

- Certain Colorado institutions of higher education have the authority to establish an Optional Retirement Plan (ORP) pursuant to C.R.S. §24-54.5-101 *et seq.*, for their eligible faculty and administrators, as defined at C.R.S. §24-50-135. Individuals hired into ORP-eligible positions who are PERA members or inactive members with at least one year of PERA service credit must make a one-time irrevocable election to be covered by PERA or by the Optional Retirement Plan within 30 days of the date of hire. If no election is made within 30 days, Optional Retirement Plan coverage is required.

Such election or default cannot be later changed and applies to all Colorado institutions of higher education which have implemented Optional Retirement Plans. See below for those individuals who are not PERA members or are PERA members with less than one year of PERA service credit.

- Elected municipal officials, city managers and key management staff who report directly to the city manager or the city council of a Colorado PERA-affiliated municipality must make a one-time irrevocable election to be a PERA member or to be covered by another retirement program within 60 days of taking office or the date of hire. If no election is made within 60 days, PERA coverage is required.
- District Attorneys who have not elected to participate in the State of Colorado Defined Contribution Plan established by C.R.S. §24-52-201 *et seq.* shall be covered by PERA within 60 days of taking office. If no election is made within 60 days, PERA coverage is required.
- The County Commissioners within a Judicial District have the authority to allow choice between PERA and the State of Colorado Defined Contribution Plan established by C.R.S. §24-52-201 *et seq.* for the Assistant District Attorney, the Chief Deputy District Attorney, and

Deputy District Attorneys. Currently, all County Commissions have made this decision to offer retirement plan choice for these positions.

If an Assistant District Attorney, Chief Deputy District Attorney, or Deputy District Attorney was hired into his/her position before the County Commissioners made the decision allowing retirement plan choice, the individual has 60 days from the date such decision was made to make a one-time irrevocable election to be covered by PERA or State of Colorado Defined Contribution Plan established by C.R.S. §24-52-201 *et seq.* If no election is made within 60 days, the individual remains under his/her existing retirement program.

If an Assistant District Attorney, Chief Deputy District Attorney, or Deputy District Attorney is hired into his position on and after the date the County Commissioners made the decision allowing retirement plan choice, the individual has 60 days from the date of hire to make a one-time irrevocable election to be covered by PERA or State of Colorado Defined Contribution Plan established by C.R.S. §24-52-201 *et seq.* If no election is made within 60 days, the individual is covered by PERA.

- The County Commissioners within a Judicial District have the authority to establish PERA or the State of Colorado Defined Contribution Plan established by C.R.S. §24-52-201 *et seq.* as the retirement program for other employees of a District Attorney. This requires an election approval by 65 percent of employees. If the County Commissioners do not select a retirement program, the employees have the right to vote to establish their retirement program as provided for at C.R.S. §24-51-305.5(2)(b).

If an employee of a District Attorney was hired into a position before the date a retirement program was established, the individual has 60 days from the date such decision was made to make a one-time irrevocable election to be covered by PERA or the State of Colorado Defined Contribution Plan established by C.R.S. §24-52-201 *et seq.* If no election is made within 60 days, the individual remains under his/her existing retirement program.

If an employee of a District Attorney is hired into a position on and after the date a retirement program was established, the individual must be covered by the retirement program which was established.

### **Ineligible for Membership**

State law specifies certain employees who are ineligible for Colorado PERA membership. These individuals cannot be covered by PERA and PERA-affiliated employers cannot offer PERA coverage to individuals in these positions.

- Certain Colorado institutions of higher education have the authority to establish Optional Retirement Plans (ORPs) pursuant to C.R.S. §24-54.5-101 *et seq.*, for their eligible employees as defined at C.R.S. §24-50-135. Individuals hired into ORP-eligible positions who are not PERA members or inactive members or are PERA members or inactive members with less than one year of PERA service credit must be covered by the Optional Retirement Plan. Such coverage cannot be later changed and applies to all Colorado institutions of higher education which have implemented Optional Retirement Plans.

PERA retirees who return to work in an Optional Retirement Plan eligible positions do not have the option to suspend PERA retirement benefits and return to PERA membership. These individuals must be covered by the Optional Retirement Plan. See Section 7 for more information relating to this post-retirement employment.

- Student employees employed by and enrolled in an undergraduate or graduate program at a state college or university or by a public employer affiliated with a state college or university, including Auraria Higher Education Center are not eligible to participate in PERA. These students are either exempt from any coverage if employment is predicated on student status and attending class, or if the student is enrolled in the institution's student plan.

- Student employees who are enrolled and regularly attending classes in a school district that is employing them if employment is predicated on their student status are not eligible to participate in PERA. The student must not have graduated from high school.
- Employees who are not required by federal law to be covered by a public employer retirement system or Social Security, such as election judges who earn less than \$1,000 per year and persons hired to respond to natural disasters are not required to participate in PERA. This includes F-1, M-1, and J-1 visa holders. (Individuals who hold visas other than those listed above should be enrolled in PERA.)
- University of Colorado's president, chancellors, deans, faculty, and other professionals who are covered by Social Security and the University's qualified retirement plan, except for members transferring to these positions who are already covered by PERA.
- Certain Colorado State University faculty and employees of the Extension Service who are employed in a cooperative work program with the U.S. Department of Agriculture who are required to participate in the federal civil service retirement system.
- Faculty and certain administrators of a higher education institution who are exempt from the state classified personnel system, have less than one year of PERA service credit, and are hired by institutions offering an ORP. New faculty and administrators hired by an institution that has an existing ORP and who have more than one year of PERA service credit may remain under PERA or enroll in the ORP within 30 days of employment.
- Police officers and firefighters covered by an existing retirement system pursuant to Colorado laws, unless the police officer or firefighter is hired in a position that requires PERA membership. For example, coverage under PERA is required for a police officer or firefighter who is hired by an employer affiliated with PERA in a position subject to PERA membership.
- Employees of a nonprofit public hospital previously affiliated with PERA who were hired after the sale, lease, or transfer of the hospital.
- PERA Local Government Division employees whose positions were covered under Social Security only as of November 5, 1990, and employees in similar positions created later by these employers.
- Independent contractors and consultants who engage in contractual services with an affiliated employer. (See IRS Ruling 87-41 for details.) (An excellent resource explaining IRS Ruling 87-41 is IRS Publication 963, which explains who qualifies as an independent contractor.)

### **Independent Contractors and PERA Membership**

Under State law, independent contractors are excluded from PERA membership. It is the employer's responsibility to determine if an individual performing services is an independent contractor or an employee.

The status of independent contractor is defined by the federal Internal Revenue Service at Rev. Reg. 87-41. In order for an individual to be classified as an independent contractor, the employer must ensure compliance with this regulation. An employer who has individuals providing services as independent contractors should be familiar with this regulation. IRS publication 15-A explains this classification further.

If an employer classifies an individual as an independent contractor and it is later determined that that individual was an employee, the employer can be held liable for back taxes, benefits and penalties. One of those liabilities is PERA membership. When an individual classified as an independent contractor is later determined to be an employee, PERA must assess employer and member contributions on salary paid during the time the individual provided the services incorrectly classified as an independent contractor. In addition to employer contributions, the

employer is also responsible for payment of interest on the employer and, in some cases, member contributions due.

Because of the liabilities which can result from an incorrect classification of an individual as an independent contractor, PERA encourages its employers to be familiar with and comply with the IRS requirements for this classification. PERA staff cannot provide an employer with tax advice including determinations of independent contractor status. However, in cases which are brought to PERA where non-compliance with the IRS is suspected, PERA staff must investigate the situation in order to properly resolve the matter.

### **Employer Responsibilities**

To enroll new and transferring employees in PERA, the employee must complete a PERA *Member Information Form*. This form can also be used by the employee to change information PERA already has on record such as name, address, or named beneficiary. Once enrolled in PERA, contributions should be remitted as explained in Section 4.

### **Retirement Choice**

As discussed under the membership explanations in this section, some of your employees must be covered by PERA, some of your employees will have a choice of retirement programs, and some are excluded from PERA membership. All of these options are controlled by Colorado State law and in some cases, by federal law.

It is your responsibility to correctly enroll your employees in PERA or in one of the alternate retirement programs and to ensure your enrollment complies with applicable laws. Similarly, it is also your responsibility to ensure that employees or other workers who are not eligible for PERA are not enrolled in PERA.

PERA strongly encourages employers to know these laws and to properly comply with them because the consequences to an employer and to an individual enrolled in an improper plan can be severe.

Under State law, PERA cannot allow PERA membership to individuals who do not, under statute, have the right to such membership. In those instances where PERA determines that employees have been given PERA membership who do not have the right to such membership, PERA must take action to unwind the membership, return all contributions and other payments made to PERA and if necessary recover any benefits paid.

Similarly, if the statute requires that an individual be covered by PERA but was not or that an individual should have been offered PERA membership but was not, PERA must take steps to correct that situation. This process is called unpaid contributions.

### **Unpaid Contributions**

When it appears that an employee should have been covered by PERA but was not, either by act of the employer or by oversight of the employer, PERA must investigate the situation in order to determine if membership should have been provided as required by statute. As a part of the investigation process, PERA staff will ask you to provide information which may include the following:

- The position or title the individual held.
- The dates of employment.
- The salary earned for such employment (preferably broken down by month) and/or employee's rate of pay (hourly, monthly, daily).

Based upon this information, PERA will determine if membership should have been provided. If this is the case, PERA will assess the employer contributions due on the salary earned for the employment that was not covered plus interest on those contributions. When paid by the employer, PERA will assess the employee the member contributions due for the employment that was not covered. If the employee pays his share in a timely manner, the employer will then be billed for the interest due on the member contributions.

### **Retirees Returning to Work**

Many PERA retirees will opt to return to work for a PERA-affiliated employer. Such post-retirement work is regulated by State law and PERA Rules and employers must pay employer contributions on earnings from such work. Section 8 discusses this in greater detail.

Some PERA retirees will opt to suspend their retirement benefit and return to PERA membership. In that case, the retiree should be enrolled in PERA as discussed above.

### **Member's Responsibilities**

It is the member's responsibility to keep PERA informed of any member, spousal, address, or beneficiary changes to his/her PERA account. This information is updated by use of a *Member Information Form* or by contacting PERA's Customer Service Center.

### **Confidentiality of Member Information**

By law, all information contained in records of members, former members, inactive members, and benefit recipients and their dependents is kept confidential by Colorado PERA.

PERA does not disclose any information about member accounts to anyone other than the member without the member's written authorization. PERA's *Authorization to Release Information* is a general release that allows PERA to provide information about a member's PERA account to specific individuals/entities. To release health care information for PERA members and/or benefit recipients enrolled in PERACare, an *Authorization to Use and/or Disclose Personal Health Information* needs to be on file at PERA.

## Section 4—Reporting Contributions

PERA is not a “pay-as-you-go” system. Rather, benefits are funded on an actuarial reserve basis. PERA is a contributory pension plan with both employers and members sharing the cost of funding PERA’s benefits through their contributions.

The primary sources of funds to pay PERA’s benefits are approximately as follows:

- 65 percent from investment income
- 17 percent from employer contributions
- 18 percent from member contributions

### **Employer Contributions**

Employers contribute a percentage of their total PERA-includable salary based upon the division to which the employer is assigned. Employer contributions are credited to the divisional employer reserve to which the employer is assigned and not to individual member accounts. Employer contributions are used to fund PERA’s benefit liability for all members, not for an individual member.

A portion of the employer contribution (1.02 percent of payroll) is credited to the PERA Health Care Trust Fund to pay health care premium subsidies for benefit recipients enrolled in the PERACare Health Benefits Program.

Recent legislation established an Amortization Equalization Disbursement (AED) and Supplemental Amortization Equalization Disbursement (SAED) that requires employers to pay an extra amount to PERA to reduce PERA’s time period to pay off its unfunded liability and reach fully funded status. The charts on the following page show PERA’s employer contributions for calendar years 2007 to 2013.

## Employer Contribution Rates

(As of January 1, 2007)

Legislation signed into law in May 2006 requires employers to submit a Supplemental Amortization Equalization Disbursement (SAED) beginning with payrolls that have an ending date of January 1, 2008, or later. The SAED is to be paid on the total payroll for all employees who work for a PERA-affiliated employer, just like the Amortization Equalization Disbursement (AED) that has been in place since January 1, 2006. The SAED is to be funded by "foregone wage increases" for all employees. For example, if an employer has 3.5 percent of salary available for employee pay raises, 0.5 percent is diverted to the SAED and only 3.0 percent is available for pay increases. For State Division employers, an amount equal to one-half of 1 percent of total salary is to be used to fund the SAED; for School, Local Government, and Judicial Division employers, the SAED is to be funded by a reallocation of funds to be used for salaries or other compensation to employees. Even if no pay increases will be made to your employees, you are still required to pay the SAED.

The SAED contributions will be automatically calculated when the Summary Sheet is completed and submitted with the STARS report (see the STARS Guide for more details).

### State Division

Start Date	PERA Employer Contribution	AED	SAED	Total Contribution % for Year
Jan 2007	10.15%	1.00	.00	11.15%
Jan 2008	10.15%	1.40	.50	12.05%
Jan 2009	10.15%	1.80	1.00	12.95%
Jan 2010	10.15%	2.20	1.50	13.85%
Jan 2011	10.15%	2.60	2.00	14.75%
Jan 2012	10.15%	3.00	2.50	15.65%
Jan 2013	10.15%	3.00	3.00	16.15%

### School Division

Start Date	PERA Employer Contribution	AED	SAED	Total Contribution % for Year
Jan 2007	10.15%	1.00	.00	11.15%
Jan 2008	10.15%	1.40	.50	12.05%
Jan 2009	10.15%	1.80	1.00	12.95%
Jan 2010	10.15%	2.20	1.50	13.85%
Jan 2011	10.15%	2.60	2.00	14.75%
Jan 2012	10.15%	3.00	2.50	15.65%
Jan 2013	10.55%	3.00	3.00	16.55%

### State Troopers

Start Date	PERA Employer Contribution	AED	SAED	Total Contribution % for Year
Jan 2007	12.85%	1.00	.00	13.85%
Jan 2008	12.85%	1.40	.50	14.75%
Jan 2009	12.85%	1.80	1.00	15.65%
Jan 2010	12.85%	2.20	1.50	16.55%
Jan 2011	12.85%	2.60	2.00	17.45%
Jan 2012	12.85%	3.00	2.50	18.35%
Jan 2013	12.85%	3.00	3.00	19.25%

### Local Government Division

Start Date	PERA Employer Contribution	AED	SAED	Total Contribution % for Year
Jan 2007	10.00%	1.00	.00	11.00%
Jan 2008	10.00%	1.40	.50	11.90%
Jan 2009	10.00%	1.80	1.00	12.80%
Jan 2010	10.00%	2.20	1.50	13.70%
Jan 2011	10.00%	2.60	2.00	14.60%
Jan 2012	10.00%	3.00	2.50	15.50%
Jan 2013	10.00%	3.00	3.00	16.00%

### Judicial Division

Start Date	PERA Employer Contribution	AED	SAED	Total Contribution % for Year
Jan 2007	13.66%	1.00	.00	14.66%
Jan 2008	13.66%	1.40	.50	15.56%
Jan 2009	13.66%	1.80	1.00	16.46%
Jan 2010	13.66%	2.20	1.50	17.36%
Jan 2011	13.66%	2.60	2.00	18.26%
Jan 2012	13.66%	3.00	2.50	19.16%
Jan 2013	13.66%	3.00	3.00	19.66%

1.02 percent of payroll from the total employer contribution goes into the Health Care Trust Fund.

A contribution rate history is posted on the PERA Web site at [www.copera.org](http://www.copera.org).

## **Member Contributions**

Most PERA members are required to contribute 8 percent of their PERA-includable salary to PERA. Colorado State Troopers and Colorado Bureau of Investigation Agents contribute 10 percent. Member contributions are credited to individual member contribution accounts maintained by PERA.

Member contributions are tax-deferred pursuant to §414(h) of the Internal Revenue Code and therefore not considered taxable income for federal and Colorado State income tax purposes until they are received through a refund or a monthly benefit.

## **PERA-Includable Salary**

Colorado State law, C.R.S. §24-51-101(42)(a), defines the following forms of compensation which are includable as salary for PERA purposes and subject to PERA contributions and those forms of compensation which are excluded from PERA salary and not subject to PERA contributions.

### **Compensation Subject to Contributions**

- Regular salary and pay.
- Any pay for administrative, sabbatical, annual, sick, vacation, or personal leave.
- Pay for compensatory time or holidays.
- Payments by an employer from grants.
- Amounts deducted from pay pursuant to tax-sheltered savings or retirement programs.
- Amounts deducted from pay for a health savings account as defined in 26 U.S.C. Sec. 223, as amended, or any other type of retirement health savings account program.
- Performance or merit payments. **(Only if approved by the PERA Board.)**
- Special pay for work-related injuries paid by the employer prior to termination of membership.
- Retroactive salary payments pursuant to court orders, arbitration awards, or litigation and grievance settlements.

### **Compensation Not Subject to Contributions**

- Commissions.
- Compensation for unused sick leave converted at any time to cash payments.
- Compensation for unused sick, annual, vacation, administrative, or other accumulated paid leave contributed to a health savings account as defined in 26 U.S.C. Sec 223, as amended, or a retirement health savings program.
- Housing allowances, uniform allowances, automobile allowances or usage values, insurance premiums, dependent care assistance, reimbursement for expenses incurred, tuition or any other fringe benefits, regardless of federal taxation.
- Bonuses for services not actually rendered, including but not limited to early retirement inducements, Christmas bonuses, cash awards, honorariums, and severance pay.
- Damages, except for retroactive salary paid pursuant to court orders, arbitration or litigation, and grievance settlements.
- Payments earned beyond the date of member's death.

### **Employees Participating in Tax-Deferred Investment Plans**

Amounts deducted from an employee's pay for participation in 401(k) plans, 403(b) tax-sheltered annuities, and 457 deferred compensation plans do not reduce PERA-includable salary. Employer contributions on behalf of employees to these plans do not increase PERA-includable salary.

### **Employees Participating in Section 125 Plans**

Employers may establish a plan under Internal Revenue Code (IRC) Section 125, known as 125 plans, cafeteria plans, or flexible spending accounts. A Section 125 program allows an employee to direct a portion of their salary to purchase benefits such as health and dental care, life insurance, or child care. Some employers also provide a reduction in salary for commuter and parking expenses in accordance with the Transportation Equity Act (TEA). Amounts directed to a Section 125 plan or TEA deduction plan reduce PERA-includable salary. If an employee takes cash in lieu of benefits under a bona fide Section 125 plan, such cash amount is includable as PERA salary. Cash in lieu of benefits outside of a bona fide Section 125 plan does not increase PERA salary.

A result of participating in a Section 125 or a TEA deduction plan is that the salary on which an employee pays federal and state income tax is reduced. Likewise, the money for these plans is not included in the salary on which PERA contributions are calculated.

### **Accrued Leave Payments**

Payments made by an employer in satisfaction of or in lieu of accrued leave will be treated as PERA-includable salary pursuant to C.R.S. § 24-51-101(42) if the following criteria are met:

- The payment by the employer of the accrued leave is made in a lump sum at the termination of the member's employment or in periodic payments after severing employment and not at the election of the member;
- The accrued leave payments are paid at a rate not to exceed the member's most recent rate of pay; and
- The payment is for accrued leave earned by the member pursuant to an established employer policy or employment contract and not as a result of a retroactive grant or an award by the employer.

If each of the above criteria is met, the accrued leave payment will be treated as salary in calculating service credit and highest average salary for retirement by applying the payment over as many months as possible at the member's most recent monthly rate of pay. Additional service credit for these months will be included in the retirement benefit calculation. These months may also be used in the highest average salary calculation.

An annual lump sum payment of accrued leave paid because the individual has accrued in excess of the maximum accumulation allowed by the employer's established leave policy shall be included as PERA salary in the month paid.

No other payments for accrued leave, whether as a lump sum or paid over time, shall be included as PERA salary.

### **Settlements**

Under the statutory definition of PERA salary, retroactive salary payments made to an employee or to groups of employees pursuant to a court order, an arbitration award, or a litigation or grievance settlement are includable as PERA salary. Retroactive salary payments are credited back to the months in which they should have been earned and are subject to the employer and member contribution rates in effect for that month. Additionally, the employer is responsible for the payment of interest retroactive to those months.

As a result, PERA needs detailed information in order to properly handle a retroactive salary payment. If you are entering into negotiations which may result in a retroactive salary payment, please contact PERA's Legal Services Division well in advance of finalizing any settlement to ensure that you have correct and complete information with regard to PERA.

PERA will not allow any settlement agreements to be made which adversely impact the financial status of the plan. An example of such an agreement is one which artificially allows the accrual

of earned service credit by paying an individual a minimal salary amount over a period of time rather than the normal and usual salary which would be earned.

### **Extraordinary Compensation Plans**

Some PERA affiliated employers have instituted extraordinary compensation or pay plans for their employees in addition to or which may replace the usual and normal employee pay schedule.

It is not PERA's intent to influence, approve, or deny how an affiliated employer compensates its employees. However, it is important for PERA to review any extraordinary pay plan or modifications to an existing plan to determine whether payments under the plan constitute PERA-includable salary.

Generally, if there is a requirement in an extraordinary compensation plan that conditions the payment(s) to a subsequent retirement or termination, the monies paid would be excluded from PERA salary. On the other hand, certain pay for performance may be considered as includable salary.

When reviewing a plan or amendment for extraordinary compensation plans, PERA will consider the following:

- The written plan
- The plan's effective dates
- The plan's duration
- Eligible employees
- Participation criteria
- Payment schedule
- Duration of payments

Amending a plan upon which PERA has already made a determination requires review of the amendment. This will ensure that the previous determination by PERA on whether the payments are or are not PERA-includable salary is still valid.

To have a plan approved by PERA, a letter and copy of the plan, as well as Board minutes or any other information that documents the plan should be forwarded to Angela Byrne, Colorado PERA Employer Relations Manager.

### **PERA Retirees Returning to Work**

Beginning July 1, 2005, employer contributions, including the Amortization Equalization Disbursement (AED), must be remitted on salary paid to a retiree who has returned to work for a PERA-affiliated employer but no member contributions are due. (A Supplemental Amortization Equalization Disbursement, or SAED, goes into effect on January 1, 2008.) If the retiree has suspended retirement to return to membership, both employer and member contributions are due.

### **Reporting to the PERA Defined Benefit Plan—STARS**

Accurate and timely reporting of salary and contributions to Colorado PERA is essential for Colorado PERA to invest funds and maintain accurate member account information. For efficiency and accuracy, PERA requires employers to submit salary and contribution information using PERA's electronic reporting system called STARS (Secure Transfer And Reporting System). Using state-of-the-art encryption technology to securely report PERA information, STARS is more secure, efficient, and accurate than paper reporting.

Employers use STARS to report to Colorado PERA the amount of PERA-includable salary that was paid to each member during each pay period and the contributions due on that salary. In addition, the process also includes remittance of life insurance premiums. Contributions to employee 401(k) and PERA DC Plan accounts must be remitted to CitiStreet. See Reporting Colorado PERA 401(k) and PERA DC Plan Contributions to CitiStreet on page 4-7.

*Contact your assigned PERA Employer Representative for help in correcting errors in your PERA contribution information.*

## **Contribution Reporting**

Contributions and salary are credited to the specific month in which they were earned. The month is determined by the last day of the payroll cycle, not the day salary is paid.

Regardless of the payroll cycle, employers must forward to PERA the Contribution Report and the full amount of the employer and member contributions within five business days from the date employees are paid. State law (C.R.S. § 24-51-401 (1.8) (3)) requires an interest penalty be assessed on late reports and/or contributions.

The contribution reporting process consists of three parts:

1. A Contribution Report that contains member information and is formatted as either a fixed length data file or a spreadsheet.
2. A Contribution Report Summary that lists the total amounts being reported.
3. Payment to PERA for the amounts reported.

It is critical that the information on a Contribution Report be accurate ensuring the grand totals are correct. The amount remitted must match the totals on the Contribution Report Summary.

### **Contribution Report (Detail File)**

The Contribution Report contains the detailed member information provided by the employer for a particular payroll cycle. This information is then posted to the records which PERA maintains for each member. The detail must match the total remitted amount on the Contribution Report Summary compiled from the Contribution Report.

### **Contribution Report Summary**

A PERA Contribution Report Summary must be completed each time a contribution report is submitted to PERA. This report contains aggregate information about PERA-includable salary, employee and employer contributions, and life insurance premiums compiled from the Contribution Report.

### **Payment of Amounts Due**

You may either pay by ACH debit transactions, in which you allow PERA to initiate the transfer after receiving your instructions, or you may pay by wire or ACH credit, where you initiate the transfer. If you choose to pay by ACH debit, your payment will be considered on time if we receive accurate ACH instructions from you by the due date established in State law. If you pay by wire or ACH credit, your transaction must be completed by the due date established in State law.

### **Submitting Payment Through ACH Debit Transactions**

On a date arranged by you, PERA will initiate an ACH debit from your employer's bank account. When you complete the Contribution Report Summary for each payroll period using STARS, indicate on the final line the amount and date of your ACH.

### **Submitting Payment Through a Wire Transfer**

You will need to initiate the transfer of funds from your employer's bank account to PERA's bank account. You will need to contact your PERA Employer Representative for information to arrange electronic funds transfers. When you complete the Contribution Report Summary for each payroll period using STARS, indicate on the final line the amount and date of your wire.

### **Adjustments to the PERA Contribution Information**

At times, it may be necessary to make an adjustment to information previously submitted to PERA. The process of correcting a Contribution Report should always be completed in coordination with your assigned PERA Employer Representative.

Incorrect information submitted on a previous PERA Contribution Report must be corrected. Complete the following steps to correct your report:

- Submit corrections on either your own electronic file (fixed length data or spreadsheet file) or by filling out a manual Contribution Report on the STARS system.
- Enter a new line on the Contribution Report and include the member's name, SSN, and any other required information. Enter the difference between the amount(s) previously reported and the correct amount. For example, if an employee was previously reported as earning \$500 in salary that is later determined as being excluded from PERA salary, the amount entered would be (-500.00) on the correction.
- Ensure that the change is identified for the payroll period for which it applies. For example, if the change applies to an amount previously reported for a May 2006 payroll period, input "506" as the pay-period ending date for the adjustment regardless of when you send the correction to PERA.
- Reflect any changes you made on your PERA Contribution Report Summary.

Please note, however, that you cannot submit a negative adjustment for a former employee who has taken a refund of his or her PERA account. If the member has not yet taken a refund of his or her PERA member contribution account, your PERA Employer Representative must be notified that you intend to make an adjustment so we can prevent the refund from being issued prior to your adjustment being posted.

### **Reporting Colorado PERA 401(k) and DC Plan Contributions to CitiStreet**

Colorado PERA provides its members, and retirees who return to work for a PERA employer, with the opportunity to make voluntary contributions from earned income to PERA's 401(k) Plan to invest for additional retirement income. Certain State employees may elect to participate in the PERA DC Plan instead of participating in the PERA DB Plan as their primary retirement plan.

Contribution limits to the 401(k) Plan are determined by the federal Internal Revenue Service (IRS) and are adjusted annually. Refer to the 401(k) Plan section on the PERA Web site for information about contribution limits and other plan details.

Since 401(k) and DC Plan participant accounts are maintained separately from PERA defined benefit (DB) accounts, separate forms and reporting procedures are used.

An employer who receives a 401(k) or PERA DC Plan form (other than a *401(k) Plan Authorization Form*) completed by the member should send it to CitiStreet immediately. Late receipt of forms may delay a requested action.

For more details on the PERA DC Plan for eligible State employees, please refer to the Colorado Department of Personnel and Administration's Web site.

### **Enrolling Members in the 401(k) Plan**

Once an employer receives the *401(k) Plan Authorization Form*, deductions from a member's pay should begin immediately. Retain the authorization form for your records.

*Please review the  
401(k)  
Contribution  
Reporting User  
Guide for  
Employers  
published by  
CitiStreet.*

If the member is already enrolled in the 401(k) Plan, immediately begin deducting contributions from the member's pay (if requested by the member) and report them on your next PERA 401(k) Plan Contribution Report.

**Employer Matching Contributions to PERA's 401(k) Plan**

An employer may match member contributions to the PERA 401(k) Plan as a benefit of employment, providing that the total employer and participant contributions do not exceed \$40,000 or 100 percent of the IRS Test Compensation Amount. The employer determines the matching amount contributed and allocated to a participant's account. The plan for matching employer contributions must be approved in advance by PERA.

PERA's 401(k) Plan allows employer matching using several methods, such as making employer contributions for each member participating in the 401(k) Plan. The employer may select the amount of the employer contribution based upon a dollar amount, the percentage the member contributes, service, or performance. All employer contributions to a member's 401(k) account immediately become 100 percent vested to the member and are not returned to the employer at any time.

If an employer chooses to match member contributions to the PERA 401(k) Plan, a written plan must be submitted in writing to PERA's Benefit Services Division for review and approval. PERA will review the plan to ensure that it meets the matching contribution non-discrimination requirements under PERA's 401(k) Plan and the Internal Revenue Code.

## Section 5—Reporting Other Member Information

In addition to enrolling members, correcting coverage errors and reporting contributions, PERA will occasionally ask its employers to provide additional information in order to accurately determine service credit, PERA salary, and benefits. This section deals with other general information an employer may be asked to provide during a member's career. The next several sections deal with the employer's role in refunds, retirements, disabilities, and survivors.

### Salary Information

By statute, PERA is required to ensure that contributions are remitted only on PERA-includable salary and that PERA salary is properly credited to the month or months during which it was earned.

Most employees receive regular salary payments on a regular basis. Generally, these regular salary payments present no concerns. However, on occasion an employee may receive an additional or irregular payment upon which PERA contributions are remitted. In these cases, PERA staff must request that the employer provide an explanation of the additional payment that was reported to PERA.

These additional payments are sometimes discovered in the normal processing of a member's benefit request (an estimate request, a purchase of service credit, or an application for benefits). In that case, you will be contacted by a Benefits Counselor from PERA's Benefits Services Division requesting an explanation.

You will usually receive this request in a *Salary Explanation Form* for you to complete and return to PERA. If a salary explanation is needed on short notice, you may be contacted by telephone. PERA tries to maintain a reference of these additional employer payments to avoid contacting an employer multiple times for the same situation.

PERA asks that employers make every effort to be responsive to these requests so that we may properly implement our governing statute. If you are aware of an existing additional or irregular payment that PERA may not be aware of, or if you anticipate a future type of payment, please contact your Employer Representative with this information.

Additional payments are also discovered in the processing of your contribution reports. In these cases, you will be contacted by your Employer Representative requesting an explanation.

### Leaves of Absence

A leave of absence refers to any period of time during which the member is not working or is receiving no pay or only partial pay, but the employer/employee relationship continues. A certified leave of absence may occur due to leave without pay, leave without pay for health reasons, paid sabbatical leave, short-term disability leave, or military leave.

Employers are required to submit a *Certification of Leave of Absence* form within 90 days of the beginning date of the leave for an employee who is on a certified leave for more than one month. This form may be completed online.

Filing a *Certification of Leave of Absence* form preserves the following membership rights while off the payroll:

- Eligibility for the Disability Program
- Eligibility for survivor benefits
- Ability to make payment or continue to make installment payments on a purchase of service credit

If the end date of the leave changes, provide PERA with a new form indicating the new end date. If the period of leave is unknown, complete the form for a period of 90 days. Should the leave extend beyond the 90 days, provide PERA with a new form indicating the new end date.

Periods of leave with full pay, for example, absence for vacation, summer intermission, sick leave, or any paid leave, do not require a *Certification of Leave of Absence*. Also, membership rights automatically continue without a *Certification of Leave of Absence* during periods in which pay has stopped due to an established break in contract or employment period when the employer/employee relationship continues.

*Example:* No *Certification of Leave of Absence* would be required for an instructional aide paid over nine months, who works from August 12 through May 31, and is off work during the remainder of the summer months before returning for the next contract year.

### **Employer Steps for Members on Leaves of Absence**

- Encourage the member to review PERA's *Leaves and Sabbaticals* brochure, which explains information concerning leaves and PERA accounts.
- When the member begins the leave of absence, the employer should submit a completed *Certification of Leave of Absence* indicating that the member is on leave and the dates of the leave. If the dates change, provide a new form.
- The employer should remit PERA contributions on any partial or sabbatical salary paid to the member while on leave.
- When the member returns to PERA-covered employment, resume remitting PERA contributions on salary earned.

### **Military Leaves**

Military leave may be granted for periods when a PERA member leaves work to enter active uniformed service in any branch of the United States military, and continues the employer/employee relationship.

Employer and member contributions are required on any full or partial salary paid by a PERA employer to a member during military leave. If salary is paid by the PERA employer during the military leave, appropriate service credit will be earned.

Upon return to PERA-covered employment, the member should submit to PERA a copy of his/her DD-214 (Military Discharge Form) which shows the periods of active duty. Upon receipt of the DD-214, PERA will grant up to five years service credit for the periods of active duty at no cost to the member or the employer.

Under federal law, the member may pursue restoring full salary during periods of active military duty. Member and employer contributions are due on salary amounts that would have been paid for the restoration of full salary.

### **Employer Steps for Members on Military Leave**

- Encourage the member to review PERA's *Leaves and Sabbaticals* brochure, which explains information concerning military leaves and PERA accounts.
- When the member begins military leave, the employer should submit a completed *Certification of Leave of Absence* indicating that the member is on military leave and the dates of the leave.
- The employer should remit PERA contributions on any full salary or partial salary paid to the member while on military leave.

- When the member returns to PERA-covered employment, the employer should resume remitting PERA contributions on salary earned and submit a breakdown of the salary that would have been paid to the member while on military duty so that PERA contributions can be calculated should the member wish to pursue full salary restoration.

**Other Information**

In addition to the above information, PERA may also ask for other information to accurately determine an employee's membership status and benefit eligibility. This information can include the employment status and positions of current or previous employees, hire and termination dates, explanations of the exact relationship between the employer and an individual (such as employee versus independent contractor). Such requests will usually be made by a Benefits Counselor or an Employer Representative from PERA's Benefit Services Division and may be in writing or via telephone.

## Section 6—Member Terminations and the Refund Process

### Termination of PERA-Covered Employment

A member who terminates PERA-covered employment may elect to do the following:

- Leave the PERA account at PERA for a future benefit or withdrawal. If PERA membership is resumed, the existing account will be connected to the new PERA account.
- Refund the PERA account.

Similarly, if the terminating member has a PERA 401(k) Plan or PERA DC Plan account, he/she may elect to withdraw this account or leave it at PERA.

State law only allows refunds after termination of all PERA-covered employment. Refunds are not allowed in the following situations:

- When the member is employed by more than one PERA employer and has not terminated employment with all employers.
- When the member transfers from one PERA-covered position to another with no break in employment.
- When seasonal employees are off the payroll but not terminated.
- When the member is on leave from the employer since no termination has occurred.

Members who elect to withdraw their PERA accounts, through a refund or rollover, forfeit their rights to any future PERA benefit and are responsible for applicable taxes. Members who later return to PERA-covered employment may purchase the service credit associated with prior membership, but will not be entitled to the benefits rights associated with the withdrawn time.

### Employer Responsibilities in the PERA Refund Process

When a terminating PERA member elects to withdraw or refund his PERA account, you have several areas of responsibility in this process:

- Encourage your terminating employees to review PERA's *Terminating PERA-Covered Employment* booklet and contact PERA's Customer Service Center with any questions.
  - Complete the Certification by Former Payroll or Personnel Office (top portion on the back of the *Refund/Rollover Request* form), if the member has been on a leave of absence or on the contribution report within the last 90 days. This form may also be completed online.
    - Specify the date of termination of employment. The date of termination is the last day for which salary subject to PERA contributions will be paid, or the last day of an employer-certified leave of absence, whichever is later. If a lump-sum for annual leave or other similar accrued pay is paid, which signifies the end of the employee/employer relationship, extend the date of termination to the last day of leave.
    - Specify which contribution report will contain the member's final contribution. Contribution report dates are based on the last day pay was earned not paid.
    - Specify the total PERA member contributions (including adjustments) to be reported for the member on the contribution report that will contain the member's final contribution. If you pay more than once a month, please report all contributions earned for that month.
    - Provide your signature, title, date, employer name, employer number, and telephone number.
    - Include (do not staple) a photocopy of the member's current Social Security card with the *Refund Request* form if the member has less than one year of PERA-covered employment.
- Funds will not be distributed to a terminating member until all contributions have been forwarded
- to PERA from the employer.

## Section 7—Retirement Process

Each year PERA processes and pays thousands of new retirement benefits. Both the retiring member and the employer have roles to play to ensure a retiring member's smooth transition from active employment to retirement.

### Member Responsibilities in the PERA Retirement Process

PERA retirement benefits do not automatically begin. An eligible member must apply for the benefit. To begin the process, the retiring member must request a PERA Retirement Kit by contacting PERA's Customer Service Center, receiving one at a Retirement Process meeting, or by ordering one from Colorado PERA's Web site. The Kit includes the *PERA Retirement Process* booklet and all the necessary forms the retiring member needs to apply for retirement including a *Final Six Months' Salary Report (FSMSR)* for the employer to complete.

### Employer Responsibilities in the PERA Retirement Process

As an employer, your responsibilities in the retirement process include the following:

- Encourage your retiring employees to be informed by reviewing the PERA Retirement Kit, attending a PERA Retirement Process meeting or other meeting with PERA staff, and contacting PERA's Customer Service Center with any questions.
- Complete a *Final Six Months' Salary Report* as described below.
- Answer questions from PERA staff regarding pending retirements in a timely manner.

### Final Six Months' Salary Report

Since PERA's recordkeeping system posts salary information to a member's account after the earnings were paid to a member and many members receive accrual pay after their effective date of retirement, it is necessary for a PERA-affiliated employer to provide salary information for a member who will retire before that information is normally reported to PERA through the contribution reporting system. This is done through the *Final Six Months' Salary Report (FSMSR)* that is included in the Retirement Kit and also available online. Instructions are given to the retiring member to provide this form to his/her employer's payroll office.

The information supplied in the *FSMSR* allows the benefit to be calculated accurately using "anticipated" PERA-includable salary (what the employer truly expects to pay the employee based upon available information about overtime, any leave or vacation time, or sick leave that will be taken before retirement) before it is reported to PERA via STARS.

### Employer Steps for Completing the Final Six Months' Salary Report

Once you receive the *Final Six Months' Salary Report (FSMSR)* from the retiring member, you will need to complete the form and include all applicable items.

- List the member's final six months of salary. PERA uses the "Base Pay" and "Extra Pay" information to determine service credit. Regular monthly salary or hourly rate multiplied by the hours worked information is recorded in the Base Pay boxes. Overtime, shift differential, or other pay is recorded in the Extra Pay boxes. If a member receives a payment at the end of the career for unused vacation or annual leave, the amount may be included in the Base Pay amount or listed as a separate amount. If payments are combined in the Base Pay block, then explain it in the Extra Pay breakdown.
- Only report PERA-includable salary. (Cash payment based on unused sick leave is not PERA-includable salary.)
- Report member contributions for the monthly total for Base Pay plus any Extra Pay.
- List the actual last day at work; "Last Date Physically on the Job" refers to the last date the member physically worked for the employer. Based upon this date, PERA determines the effective date of retirement.

*In some cases, it may not be possible to forward an accurate FSMSR to PERA before the member actually ends work because of uncertainty about overtime, shift differential, and annual or sick leave which may be taken. Notify members who have variable pay that overtime, shift differential, etc., may delay the first benefit payment.*

For most retiring members, the effective date of retirement is the first day of the month following the last day on the job, even if the member has unused annual leave for which pay will be received or continues to receive pay for a contract period but does not work. If the member uses sick leave after the last day on the job, the effective date of retirement is delayed until the first day of the month following the last day of used sick leave.

- List the termination date. The termination date is the day the employer/employee relationship ends. For a member on a leave of absence, the termination date would be the end of the period of leave.
- List the last date through which the member will receive pay on the "Last Paid-Through Date." This includes any lump-sum payment for vacation or annual leave, summer accruals, and sick leave that was used.
- List the date any pay for sick or injury leave will stop on the "Last Day of Sick or Injury Leave Actually Used." This refers to the last date for which sick or injury leave was/will be paid to a member. This information is necessary since sick or injured-on-duty pay extends both the date through which service credit is calculated and the effective date of retirement.
- Include any information that will assist PERA in understanding the information reported on the form in the "Employer Comments" section.
- Return the *FSMSR* to PERA as soon as reasonably accurate information is available. If you do not send the *FSMSR* to PERA in sufficient time, there will be a delay in processing the member's retirement benefit and a lapse in income may occur.
- Please be as accurate as possible in determining the information for the *FSMSR*.
- If an error is discovered after sending the *FSMSR* to PERA, promptly advise your Employer Representative and follow-up with a revised *FSMSR*.

### **Replacement Benefit Arrangement (RBA)**

At times, the retirement benefits which PERA pays can be limited by Section 415(b) of the Internal Revenue Code. For example:

PERA calculates a retiree's retirement benefit to be \$8,000 per month. This is called the "unrestricted benefit." However, based upon the retiree's age and other factors, Code §415(b) limits his/her benefit to \$6,500 per month. This is called the "restricted benefit." Therefore under the Code, PERA can only pay \$6,500 per month. PERA will send a check for \$6,500 to the retiree for the restricted benefit and the employer who has a Replacement Benefit Arrangement (RBA) in effect will send a check to the retiree for the difference of \$1,500. PERA will refund the employer \$1,500 in employer contributions to fund the amount the employer pays.

When a retiring member's benefit is limited by Code §415(b), he/she is notified of the situation as a part of the retirement process. If the retiree wants to receive the full amount, the former employer must enter into an RBA agreement with PERA and agree to pay the difference due. This agreement must be in place prior to the retiring member's retirement; without this agreement, the difference cannot be paid.

If the employer wishes to enter into an RBA agreement with PERA, the employer should contact the Employer Representative (ER). The ER will be able to answer questions about the agreement itself, the employer contribution offset process, processing tax-reporting forms, and reporting requirements to PERA.

The Internal Revenue Code provides for an RBA allowing PERA to work with employers to restore the retiree's full or unrestricted benefit when it is limited. Under an RBA, the retiree's former employer pays the difference between the restricted benefit and the unrestricted benefit. The amount paid by the former employer is repaid to the employer by PERA. PERA funds this payment by removing it from the employer's employer contribution before it is deposited in the applicable trust fund.

*Encourage members who may be near the limits under Section 415(b) to contact PERA for a benefit estimate.*

## Section 8—Working After Retirement

Some PERA retirees choose to return to work for an employer not affiliated with PERA or a PERA employer—either the employer they retired from or another PERA employer. While there are no working after retirement limits when a PERA retiree starts work for a non-PERA employer, Colorado State law restricts most post-retirement work for any PERA-affiliated employer. These limits are explained in PERA's brochure *Working After Retirement*.

### Limits During the Month a Retirement is Effective

Retirees may not return to work, in any capacity, for any PERA employer during the month in which their retirement is effective. If a retiree returns to work for any PERA employer on the first business day of this month it will question if a termination of PERA-covered employment truly occurred, which is the qualifying event to initiate a retirement. Should this occur, benefits will be canceled and delayed one month with a later effective date of retirement.

If a retiree returns to work after the first business day of the month in which his/her retirement is effective, his/her benefit will be reduced by 5 percent each day and partial day worked.

It is the retiree's responsibility to report such work to PERA using the *Report of Work During the Effective Month of Retirement* form. If PERA questions non-compliance with these statutory restrictions, PERA staff may contact the employer to obtain employment information.

### Limits After the Month a Retirement is Effective

A PERA retiree may work for a PERA-affiliated employer for up to 110 days/720 hours in a calendar year. (Any time worked during the month in which the retirement is effective counts toward this limit.) A day is defined as more than four hours of work in a day. If a retiree works four hours or less during a day, the 720-hour limit is applied. Special rules combine daily and hourly work described in the PERA brochure *Working After Retirement*.

It is the retiree's responsibility to report any post-retirement work to PERA by March 31 for the previous calendar year using the form *Post Retirement Work Report*. The retiree's benefit will be reduced by 5 percent for each day worked over the limit.

### Employer Responsibilities for Post-Retirement Work by a PERA Retiree

State law requires that a PERA-affiliated employer who hires a PERA retiree returning to work to remit employer contributions (including AED and SAED) on salary earned by the retiree. These contributions are remitted via the normal STARS process. Retirees cannot be required to pay these contributions from their pay.

In addition, when PERA has reason to suspect non-compliance with working after retirement limits, either by an employer or a retiree, you may be asked to provide employment, salary, and tax withholding information related to the situation.

It is sometimes difficult to determine when the working after retirement limits and employer contributions apply. The chart on page 8-3 provides a summary that you may find helpful. If you have questions concerning working after retirement, please contact your Employer Representative.

A retiree may choose to suspend his/her monthly benefit and resume PERA-covered employment. If a retiree returns to a position not eligible for PERA-covered employment, the retiree's monthly benefit cannot be suspended. It is the retiree's responsibility, not the employer's, to initiate this action. In these cases, a *Member Information Form* and monthly contributions must be forwarded to PERA.

### Affiliated Party

Retirees who perform services through an affiliated party for which they are not the specific subject of the contract must complete the *Disclosure of Compensation for Services Provided Through an Affiliated Party* form and forward it to the employer. The employer has 30 days from receipt of this form to forward contributions to PERA. If the retiree fails to report compensation to PERA and the employer, the retiree is required to pay the employer contribution amount plus any interest.

An affiliated party includes the following:

- Any person who is the named beneficiary or cobeneficiary on the PERA account of the retiree.
- Any person who is a relative of the retiree by blood or adoption (includes parents, siblings, half-siblings, children, and grandchildren).
- Any person who is a relative of the retiree by marriage (includes spouse, spouse's parents, stepparents, stepchildren, stepsiblings, and spouse's siblings).
- Any person or entity with whom the retiree has an agreement to share or profit from the performance of services for a PERA employer by the retiree other than the retiree's regular salary or compensation.

### **Independent Contractors and PERA Retirees**

Under State law and PERA Rules, PERA retirees who provide services to a PERA employer as an independent contractor are excluded from the annual limits (110 days/720 hours per calendar year) on working after retirement. However, employer contributions (plus AED/SAED) are due on payments made for such services. It is the employer's responsibility to determine if an individual performing services is an independent contractor as opposed to an employee.

The status of independent contractor is defined by the federal Internal Revenue Service at Rev. Reg. 87-41. In order for an individual to be classified as an independent contractor, the employer must ensure compliance with this regulation. An employer who has individuals providing services as independent contractors should be familiar with this regulation. IRS publication 15-A explains this classification further.

If an employer classifies an individual as an independent contractor and it is later determined that that individual was an employee, the employer can be held liable for back taxes, benefits and penalties. One of those liabilities for the retiree is the reduction in PERA benefits if the annual limits on working after retirement are exceeded. When an individual classified as an independent contractor is later determined to be an employee who has exceeded the working after retirement limits, PERA will reduce the retiree's benefits accordingly.

Because of the liabilities that can result from an incorrect classification of an individual as an independent contractor, PERA encourages its employers to be familiar with and comply with the IRS requirements for this classification. PERA staff cannot provide an employer with tax advice including determinations of independent contractor status. However, in cases that are brought to PERA where non-compliance with the IRS is suspected, PERA staff must investigate the situation in order to properly resolve the matter.

### **Retirees Paid Through Accounts Payable System**

Since these payments are not processed with your normal payroll cycle, you may report these separately on a monthly basis. Information will still need to be reported to PERA through the STARS system. Please contact your Employer Representative if you need further assistance.

### **Reporting Work**

Retirees working for PERA-affiliated employers must immediately report to PERA (at the end of their first month of retirement) any work performed during the month in which their retirement became effective. The retiree will need to complete and send to PERA the *Report of Work During the Effective Month of Retirement* (available on the PERA Web site or by calling PERA's Customer Service Center).

It is the retiree's responsibility to submit a *Post-Retirement Work Report* to PERA by March 31 for the previous calendar year. This report only needs to be filed if the retiree worked for a PERA-affiliated employer in any capacity more than 110 days or 720 hours during the calendar year.

## Working After Retirement Summary

If the PERA retiree is	Then
Working for a private company that is not performing services for a PERA employer (or working for a public employer not affiliated with PERA)	There are no limitations on the amount of time the retiree may work and the PERA benefit will not be affected (except for disability retirees)
Providing a product and not a service to a PERA employer	The retiree is not subject to the working after retirement limit of 110 days/720 hours and employer contributions are not due to PERA
Hired in an individual capacity as an employee by a PERA employer	The retiree is subject to the working after retirement limit of 110 days/720 hours and employer contributions will be paid to PERA on their earnings
Individually working for a PERA-affiliated employer as an independent contractor, as defined by the IRS	The retiree is not subject to the working after retirement limit of 110 days/720 hours, but employer contributions will be paid to PERA on their earnings
Hired by a PERA employer through a business the retiree owns or operates; the retiree provides services to the PERA employer as an employee of the PERA employer	The retiree is subject to the working after retirement limit of 110 days/720 hours and employer contributions are required
Hired by a PERA employer through a business the retiree owns or operates; the retiree provides services to the PERA employer as an independent contractor as defined by the IRS	The retiree is not subject to the working after retirement limit of 110 days/720 hours, but employer contributions are required
The owner or operator of a company that is providing services to a PERA employer, but the retiree, is not performing services to the PERA employer	The retiree is not subject to the working after retirement limit of 110 days/720 hours and employer contributions are not required to be paid to PERA
Working for a company owned or operated by an affiliated party (see definition) and is hired by a PERA employer to perform services for the PERA employer as an independent contractor as defined by the IRS	The retiree is not subject to the working after retirement limit of 110 days/720 hours but employer contributions will be paid to PERA on their earnings
Working for a company owned or operated by an affiliated party (see definition) who is hired by a PERA employer to perform services for the PERA employer as an employee	The retiree is subject to the working after retirement limit of 110 days/720 hours and employer contributions will be paid to PERA on their earnings
Serving as a state legislator	The work limit does not apply and employer contributions are not due to PERA
A retired judge participating in the Senior Judge Program	The work limit does not apply and employer contributions are not due to PERA
A retired judge working outside the Senior Judge Program	The same rules apply as are applied to other retirees
Working in a position that has been temporarily vacated by an employee who has been called into active U.S. military duty	The work limit does not apply but employer contributions are due to PERA on their earnings
A PERA retiree who retired prior to June 3, 1994, and is employed at a public college or university, and in a position covered by an Optional Retirement Plan	The work limit does not apply but employer contributions are due to PERA on their earnings
A PERA retiree who has been retired for less than one month and works in any capacity for any PERA-affiliated employer during the effective month of retirement	<ul style="list-style-type: none"> <li>• The retiree may not work in any capacity (paid or volunteer) on the first business day of their effective month of retirement</li> <li>• PERA will reduce the retiree's benefit by 5 percent for each day or partial day worked during the effective month of retirement</li> <li>• Any time the retiree works during the effective month of retirement will count toward the 110-day limit</li> <li>• Employer contributions are due to PERA on the retiree's earnings</li> </ul>
A PERA disability retiree under the disability program which went into effect January 1, 1999	Any work after retirement must be coordinated with the Disability Program Administrator and may prompt a re-evaluation of the retiree's disabling condition; if it is determined that the retiree is medically able to earn 75 percent of their predisability earnings, their disability retirement benefit may end
A PERA retiree who is a volunteer for a PERA employer	The work limit does not apply except on the first business day of the retiree's effective month of retirement

## Section 9—Colorado PERA Disability Program

Colorado PERA protects its eligible members with a two-tier Disability Program consisting of short-term disability (STD) payments for those members who are not totally and permanently disabled from work and disability retirement (DR) benefits for those members who are totally and permanently disabled. The *Colorado PERA Disability Program* booklet contains Program information including medical standards for STD and DR, waiting periods for benefits, payments and benefit amounts, deductible income, return-to-work restrictions, and options at termination of STD and DR. Colorado PERA contracts with Standard Insurance Company (Standard) to administer the Program.

### Application and Medical Review Process

To be eligible to apply for the Program, a member must meet all of the following requirements:

- Have five years or more of earned service credit with six months of this credit earned in the most recent membership period;
  - For Judicial Division members, eligibility has no earned service credit minimum.
  - For State Troopers or CBI agents, eligibility has no service credit minimum if the disability is caused by an on-the-job injury.
- Not be eligible for service retirement.
- Not have withdrawn his/her PERA member contribution account.
- Submit a *Disability Program Application* no later than 90 days after termination of employment date (including the final date of a certified leave of absence).

The medical condition causing the disability must exist prior to when the member terminates PERA-covered employment (including ending a leave of absence).

PERA makes the determination of whether or not a disability applicant meets these statutory eligibility requirements. If they are met, the *Disability Program Application* is forwarded to Standard for medical review and determination.

### Employer Responsibilities in the Application and Medical Review Process

- Encourage your eligible employees to contact PERA and to apply for the Program as soon as their medical condition prevents them from working. Note that in all cases a *Disability Program Application* must be received by PERA, not the employer, no later than 90 days after termination of PERA-covered employment. If this deadline is not met, the member is ineligible for the Program regardless of his/her medical condition.
- PERA will notify you if the applicant has met the eligibility requirements. After this, expect a call from the Vocational Case Manager at Standard. Standard will talk to the employee's supervisor to learn about the job duties, how the employee was doing before stopping work, and whether light duty or accommodations are possible. Standard will also provide the employer with an *Authorization to Obtain Information* form signed by the PERA member.
- Submit a *Certification of Leave of Absence* to PERA if a member will be on leave of absence without pay for any reason prior to applying for either STD or DR.
- Advise members about any continuation of employer-sponsored benefits available during the benefit application process or while on STD or DR.

Questions about the status of a *Disability Program Application*, medical standards, or the application process should be directed to Standard Insurance Company at 1-800-368-1135.

Following Standard's review of the information obtained in the medical review process, you will be notified of the determination of short-term disability payments, disability retirement, or not disabled.

*Questions about the overall PERA Disability Program and eligibility requirements to apply should be directed to PERA's Customer Service Center at 303-832-9550 or 1-800-759-7372.*

### **If Your Employee is Approved for Short-Term Disability Payments**

PERA law does not require continued employment while receiving STD payments. Other statutory provisions may require this and you should be aware of them. While receiving STD payments, the employee continues to have PERA membership according to the member's active or inactive status.

PERA contributions are not made on STD payments; however, remit contributions for any member who returns to work for a PERA-covered employer in a light duty or non-rehabilitative assignment position in which PERA membership is required.

Coordinate with Standard any light duty or accommodations when feasible. Standard provides return-to-work assistance such as short-term training and job modifications in partnership with the employer.

You may opt to keep the member on your employer-sponsored health care program while receiving STD. As an alternative, if approved for STD, the member is eligible to participate in the PERACare Health Benefits Program at the member's cost. (No health care subsidy applies.)

If the member is approved for STD and has an account in PERA's 401(k) Plan, the member may leave the account in the Plan. No contributions can be made from STD payments. PERA 401(k) Plan contributions can be made from any salary from temporary work or paid leave from the employer.

If the member returns to work in a PERA-covered position after STD ends, contributions must be made and service credit accrual resumes. If the member does not return to PERA-covered employment, he or she is an inactive member and will be eligible (but not required) to refund or receive a retirement benefit when eligible.

### **If Your Employee is Approved for Disability Retirement Benefits**

If your employee is approved for DR benefits, PERA will notify you and request that you complete a *Final Six Months' Salary Report (FSMSR)* for the member since termination of PERA-covered employment is required before disability retirement benefits can begin. Include all applicable items and return the form to PERA as soon as accurate information is available. The "Last Date Physically on the Job" is the last day the member is present at work. The "Last Date of Sick or Injury Leave Actually Used" is the last day the member is paid for sick or injury leave actually used. (See Section 7 for details on the *FSMSR*.)

Disability retirees have restrictions on their post-retirement return-to-work activities for both PERA employers and non-PERA employers. These restrictions are explained in the *Colorado PERA Disability Program* booklet. Employer contributions are due on any salary earned by a disability retiree who returns to work for a PERA employer.

After disability retirement, the retiree may opt to participate in the PERACare Health Benefits Program. (The health care subsidy applies.) As the former employer, you may opt to offer continued health benefits as your policies allow.

A disability retiree may keep his/her PERA 401(k) account with the Plan or withdraw it. PERA 401(k) Plan contributions can be made on any post-retirement salary earned from a PERA employer.

If the disability retiree recovers, he or she may be eligible for STD payments or no further Program benefits. If the disability retiree returns to PERA-covered employment, contributions must be made and service accrual resumes. If the disability retiree does not return to PERA-covered employment, the account becomes inactive and he or she may refund any remaining account balance, but is not required to do so.

## Section 10—Colorado PERA Survivor Benefits Program

PERA's survivor benefits are a part of the basic PERA benefits package. Survivor benefits are paid to the eligible survivors of a deceased PERA member. If no eligible survivors exist, PERA pays a lump-sum payment to the deceased member's named beneficiary or estate. PERA's *Survivor Benefits* brochure explains this program in greater detail. Please be advised that benefits are paid in accordance with survivor benefits law and not necessarily to the named beneficiary.

Please note that PERA survivor benefits are separate from any optional life insurance coverage the deceased member may have had. Also, this program is separate from joint-life benefits that a retiree may select at retirement to protect an individual (called a cobeneficiary) after the retiree's death.

### **Employer Responsibilities in the PERA Survivor Benefit Process**

Employers should notify PERA immediately if a member dies. An employer can do this by calling PERA's Customer Service Center or their Employer Representative. When contacting PERA about a member death, please be prepared to provide the following:

- The member's name, Social Security number, and date of death.
- If the death was job incurred (a job-incurred death is one in which the illness or injury which caused the death resulted from the performance of job duties).
- The name, address, telephone number (work or home) and relationship to the deceased member of any contact person you may have on file or with whom you have been in contact.
- The marital status of the deceased and the name of the spouse, if any.
- If the spouse is a PERA member or retiree (if known).

After notification of a member death, a Benefits Counselor in PERA's Benefit Services Division will contact any survivors and determine benefits payable. The Benefits Counselor will also send you a *Death Notification/Salary Report* to complete. This form may also be completed online.

### **Completing a *Death Notification/Salary Report***

The *Death Notification/Salary Report* details information about pay and contributions that a member has received or is expected to be paid on behalf of the deceased member in the final three months before death.

- PERA contributions should be made on salary and vacation or summer accrual pay earned up to, but not including, the day of death, even if the member worked the full day of his/her death. Do not deduct PERA contributions from any lump-sum payment based upon unused sick leave.
- Be sure to select the correct box if the death was job-incurred since this situation may affect the benefits to be paid to qualified survivors. A job-incurred death is one in which the illness or injury that caused the death resulted from the performance of job duties.
- Be sure to provide the member's appropriate employment status at the time of death since benefits to qualified survivors may vary depending on the member's employment status.
- The last date physically on the job refers to the last date the member physically worked for the employer.
- The termination date for an active member would be the date of death.
- List the final three months of salary. PERA uses the "Base Pay" and "Extra Pay" information to determine service credit. Regular monthly salary or hourly rate multiplied by the hours worked information is recorded in the Base Pay boxes. Overtime, shift differential, or other pay is recorded in the Extra Pay boxes. If the member is owed payment for vacation or

annual leave, or contract accrual pay that was earned but not yet paid as of the date of death, the amount should be shown in the Extra Pay box. Please explain the payment in the Extra Pay Breakdown.

- Report member contributions for the monthly total for Base Pay plus any Extra Pay.

If any of the information provided on a *Death Notification/Salary Report* changes after it has been submitted, a revised *Death Notification/Salary Report* should be submitted. Please mark "revised" on the new *Death Notification/Salary Report*.

A *Death Notification/Salary Report* may be completed online.

## Section 11—Colorado PERA Life Insurance Program

### Life Insurance Program Overview

Colorado PERA has offered a voluntary group decreasing term life insurance program to its members since 1956. Over the years the program has changed and additional plans have been added. On April 1, 2005, the two largest plans that were still open to new enrollments (Anthem Life \$10 and Prudential \$9) were consolidated into one unit-based plan administered and insured by Unum. Some of the older closed plans were moved to Unum for administration and some continue to be administered by PERA.

### Unit-Based Open Plan

The current plan open to new enrollments is the unit-based plan administered by Unum. Employees who are active PERA members are eligible to enroll in the plan and purchase additional units of coverage. Employees may enroll in one, two, three, or four units of coverage. Four units is the maximum amount of coverage available. The premium is \$6.50 per unit and includes coverage for life insurance, accidental death & dismemberment, an accelerated death benefit, dependent life insurance, and survivor financial counseling. To view the schedule of benefits and additional information about the coverage, go to the Life Insurance Program link on the left menu bar in the Employer section of the PERA Web site.

### Closed Plans

The life insurance program includes several closed plans. New members cannot enroll in these plans, but these plans continue for those already enrolled.

### Eligibility, Enrollments, and Changes

#### New Employees

New employees who are also new PERA members may enroll in life insurance within 90 days of employment without evidence of insurability (medical underwriting).

An employee who is new to you may not be new to PERA membership. The following list will help you determine eligibility when a new employee is not a new PERA member:

- New employees who are already PERA members can apply for life insurance at any time, subject to evidence of insurability.
- New employees who are already enrolled, but not for the maximum of four units, can apply to increase coverage by adding units, subject to evidence of insurability. (An employee who is already enrolled in life insurance may ask you to start deducting premiums, which you may do.)
- New employees who are PERA retirees and will continue to receive a retirement benefit are not eligible to enroll in the plan or increase coverage.
- New employees who are PERA retirees and suspend their retirement benefit to return to work will have member contributions deducted from pay. These employees are considered PERA members and can apply for insurance, subject to evidence of insurability.
- Former employees that you rehire may or may not have retained life insurance coverage. Do not restart any prior premium deductions unless you receive authorization from Unum. Former employees who previously refunded their PERA account may be eligible to enroll as new PERA members. Otherwise, they would be subject to evidence of insurability.

#### Existing Employees

Active PERA members can enroll in life insurance at any time, subject to evidence of insurability. Members who are not at the maximum coverage level (four units) also can increase coverage at any time, subject to evidence of insurability.

*Unum's toll-free  
telephone number:  
1-866-277-1649*

*Unum's mailing  
address for forms:  
2211 Congress St.  
Portland, ME 04122*

PERA holds an annual open enrollment period (currently in April and May) when members can enroll in the plan or increase coverage without evidence of insurability. Unum sends an open enrollment packet to members who are eligible to enroll and who are not at the maximum coverage level.

Members who are approaching retirement may apply for coverage at any time prior to retirement, but they cannot apply once they have retired. The completed life insurance application (including an evidence of insurability form, if required) must be received by Unum prior to the member's retirement effective date. Most PERA members retire during the summer months, so the April/May open enrollment period allows them to enroll prior to retirement without evidence of insurability. If retiring members apply outside of the open enrollment period, they are subject to evidence of insurability.

### **Enrollment Process**

New PERA members receive a life insurance enrollment packet in their PERA New Member Kit. The packet includes forms which the member can complete and return directly to Unum. Instructions for completing the enrollment online through PERA's secure Web site are included in the enrollment packet. Employees need a PERA PIN to enroll online.

Existing employees can request enrollment forms directly from Unum or enroll online if they have a PERA PIN.

To order a supply of paper enrollment materials for your office, contact Unum directly at 1-866-277-1649. They will e-mail PDF files of the materials to you.

### **Example of the Enrollment Process**

- New employee who is also a new PERA member starts work on August 15.
- Employee completes life insurance enrollment and beneficiary forms on August 17 and sends them to Unum.
- Unum notifies employer on August 22 (the Monday after the enrollment is approved) to begin \$13.00 premium deduction for employee.
- Employer takes \$13.00 deduction from next payroll, which is paid to employee on September 15.
- Employee's insurance coverage begins on October 1 (the first of the month after the date of the first full deduction).



### **Cancellations and Decreases in Coverage**

Employees may cancel coverage or decrease their number of units at any time, either online or by writing directly to Unum. The effective date of the cancellation or decrease will be the first of the month following either the date of the online request or the date the written request is received by Unum.

### **Beneficiary Changes**

Employees may add or change their beneficiaries online or by calling Unum and requesting a beneficiary form.

### **Employer Responsibilities in the Life Insurance Process**

Life insurance enrollments and changes are designed to be self-service processes. If employees ask you for assistance, you can direct them to Unum's Web site that can be accessed through PERA's Web site, or they may call Unum's toll-free PERA Customer Service Center at 1-866-277-1649.

If employees give you enrollment forms, beneficiary forms, or cancellation requests, mail them to Unum or direct the employees to mail them. Until Unum receives an enrollment form and a full premium payment, insurance is not in effect.

When an enrollment is completed (or approved in the case of an application subject to evidence of insurability), Unum sends you an authorization to start payroll deductions. Do not start payroll deductions before you receive this authorization from Unum.

### **Premium Deductions and Payments**

Most members pay premiums through monthly payroll deduction. The employer submits premiums to PERA as part of PERA's contribution reporting process. PERA, in turn, submits premium reporting information to Unum for processing.

Insurance coverage is effective the first of the month after the date of the first full premium deduction. The date of the deduction is equal to the date of the paycheck.

Credits are not allowed for life insurance premiums already submitted through the contribution reporting process. Any reconciliation of overpaid premiums will be initiated by Unum and coordinated with you and/or refunded to the member.

### **Authorization to Start or Stop Payroll Deductions**

Unum will notify you weekly of additions, changes, and cancellations for your employees. Each Monday you will receive an e-mail from Unum with an attached spreadsheet that lists all of the pending deduction changes. This notice from Unum authorizes you to make the changes on your next payroll. Any questions on these changes should be directed to Unum by responding to the original e-mail or by calling Unum.

### **Employees Working for More Than One PERA Employer**

The employee should decide which employer should take premium deductions, based on which employer is likely to be the most regular employer. Multiple employers cannot submit partial premium deductions, nor can deductions come from multiple employers at the same time. The employee should notify Unum which employer should take the premium deduction by noting this on the enrollment form or by calling Unum. Unum will then notify the appropriate employer to begin deductions, and notify other employers to stop deductions if necessary.

### **Employees Who Are Not Paid Over 12 Months and Part-time or Seasonal Employees**

You may take premium deductions in advance for employees such as teachers who do not receive summer pay, or other employees when you know in advance that they will not receive pay for one or several months. Premiums will be held as a pre-paid balance, and will be used to pay monthly premiums as they become due.

For part-time or seasonal employees, you may not know in advance which months they will not be paid. If the employee does not receive a paycheck, and no life insurance premium is submitted, the insurance will lapse. Unum will contact both the employee and you concerning the missed payment. (See Missed Payments section.)

### **Direct Payments to Unum**

For those employees who do not receive regular pay, the option of direct payment through Automated Clearing House (ACH) deduction from a personal checking or savings account is available. The direct payment option is helpful to part-time or seasonal employees who remain PERA members, but do not work for you on a regular basis. PERA and Unum have no way of identifying these intermittent employees when they first enroll, but are likely to find them when monthly payments are missed. If you have a way to identify them and want to suggest the ACH payment option, you may advise them to call Unum to set up these payment arrangements.

### **Missed Payments (Arrears)**

For employees who pay premium by payroll deduction, Unum will notify you when a premium payment is missed and ask you to make an adjustment on the next payroll. Unum also notifies employees directly if premium payments are missed, so if the member is no longer working for you, or if it is too late for you to make the adjustment to the next payroll, Unum will work with the member to arrange payment.

### **Employment Status Changes**

#### **Retirement**

When an employee retires, life insurance continues unless the employee chooses to cancel it. PERA will take monthly premium deductions from PERA's benefit payroll. The employee/retiree does not need to contact PERA or Unum to start retirement benefit payroll deductions. If the retiree returns to work for you after retirement, you should not restart life insurance deductions.

#### **Termination of Employment**

In most cases, neither PERA nor Unum would know that the employee had terminated employment until after the fact, and Unum would still be expecting to receive premium payments. Unum will contact both you and the employee concerning the missed payment.

An employee who terminates employment and does not withdraw his or her PERA account can continue life insurance. The employee should contact Unum to set up the direct payment through the ACH option described earlier. If the employee does not make arrangement for direct payment, insurance will be canceled.

An employee who terminates employment and refunds his or her PERA account is not eligible to continue PERA's group life insurance. An employee who notifies Unum within 31 days of the date of refunding his or her PERA account that he or she wants to continue life insurance on an individual basis will be provided with a portability or conversion option.

#### **Leave of Absence or Disability**

Employees who are on leave of absence or short-term disability may continue life insurance coverage as long as they continue to pay premiums. They should contact Unum to set up direct payments by ACH deduction from their personal checking or savings account. See the "Retirement" section above for employees who retire due to disability.

#### **Claims Payments**

Unum has a very easy, streamlined process for reporting a death and initiating a claim. The member's survivors can start the process by calling Unum. If you assist your employees' survivors in these kinds of matters, you can make the call to Unum. They will provide instructions regarding any additional documentation that will be required to finalize the claim (such as a death certificate) and will follow up with a letter to the designated beneficiary(ies) on file. Unum will offer financial counseling to beneficiaries who are survivors as part of the program.

Unum will pay the death benefit to the designated beneficiary(ies).

## Section 12—PERACare Health Benefits Program

### PERACare Overview

PERA has offered a health care program for retirees since 1986. In July 1999, legislation was passed allowing PERA-affiliated employers to offer PERA's health care program to their employees who are PERA members. Participation in the program by an employer is voluntary.

PERACare was created effective January 1, 2001, to provide a program that would meet the needs of employers, active members, and the retired members already covered. The program includes health care, dental, and vision coverage through a number of different carriers. The hallmark of PERACare is choice—choices in benefit coverage levels, provider networks, and premium levels—the kind of choices many employers are unable to offer on their own.

Employers who adopt the PERACare health benefits program are relieved of the administrative burdens associated with running a health benefits program. PERA's Insurance Division becomes part of your team, providing the following administrative services:

- Creating and modernizing plan designs
- Negotiating and contracting with carriers
- Conducting open enrollment meetings
- Processing enrollments
- Assisting members with claims issues
- Processing monthly billings online and real-time
- Streamlining paperwork and forms
- Administering COBRA and HIPAA
- Assisting employer benefits staff
- Monitoring carriers' performance

### Information About Joining PERACare

In order for active members to participate in PERACare, you (the employer) must first join the program. For information regarding the carriers, benefits, premiums, and how to join the program, please go to the PERACare for Employers Web page.

### Initial Effective Date Policy

You may join PERACare on the first of any month. Subsequent renewals will occur on either January 1 or July 1, determined as follows:

- If the initial effective date is January 1 through June 1, the renewal will occur on the following January 1.
- If the initial effective date is July 1 through December 1, the renewal will occur on the following July 1.

If you join the program in a month other than January or July, you will have a short first year. Thereafter, the renewals will occur every 12 months.

### Implementation

Once you join PERACare by completing a "letter of intent," the Insurance Division assigns an insurance administrator to assist in implementing the program. You will work with the insurance administrator to determine an implementation timeline. We want to ensure that all enrollment paperwork is completed and processed in time for members to receive their ID cards and benefits booklets prior to the effective date. Implementation should be completed at least two weeks prior to the effective date.

*For more information about joining PERACare*  
Please call or e-mail Julie Saad, Insurance Team Leader  
303-832-9550 ext. 6405 or [jsaad@copera.org](mailto:jsaad@copera.org)

Implementation includes the following:

- Completing a *Participation Agreement* and ACH banking form
- Holding open enrollment meetings
- Collecting enrollment forms from all employees enrolling
- Processing enrollments
- Training your benefits staff

The billing process is completed online, so you will be given a password to PERA's Web site at this time. (Please note: The password is specific to the person who handles PERACare. If the person who accesses PERA's Web site for contribution reporting also handles PERACare, the password would be the same.)

### **Participation Agreement**

The *Participation Agreement* is a document that outlines PERA's responsibilities and the employer's responsibilities regarding the administration of PERACare. Following is a summary of some of the responsibilities you agree to meet:

- Participate in the program for a period of one year
- Determine rules for eligibility of your employees within guidelines established by PERA
- Offer all benefit plans to participating employees
- Offer no other health care or vision plans to your employees (if offering PERACare's dental plans, also agree to offer no other dental plans)
- Contribute at least 50 percent of the employee-only cost for the lowest cost plan available
- Report newly eligible employees by the 25th of the month
- Reconcile eligibility and enrollment data monthly
- Pay premium by ACH on the due date
- Provide initial COBRA and HIPAA rights notices
- Provide 30 days advance written notice to terminate the agreement, and understand you cannot re-enter the program for a period of two years

### **Banking Arrangements**

PERA collects premium from all participating employers on the last business day of the month so that the carriers can be paid on the first business day of the month. You pay premium by allowing PERA to complete an ACH withdrawal from your bank account. You complete an *Authorization Agreement for Preauthorization of PERACare Payments* authorizing PERA to debit your account on the last business day of the month. See Billing Process below.

### **Eligibility**

You decide the eligibility criteria for your employees and the criteria are included as an exhibit to the *Participation Agreement*. You may change the criteria on the plan anniversary. Following are the PERACare eligibility guidelines:

#### **Eligible Employees**

Eligible employees must be PERA members. The minimum number of hours you can set for eligibility is 16 hours per week. The minimum applies to the time when the employee is actively at work. (For example, if an employee does not work during the summer months, but works at least 16 hours per week otherwise, that person could be eligible for PERACare coverage.)

PERACare does not require that a minimum number of eligible employees participate in the program.

## **Effective Date**

You may start coverage as early as the first day on the job or may set a waiting period before coverage starts. Enrollment forms must be received at PERA no later than 30 days after the employee's effective date. If an enrollment form is received later than this, the employee will have to wait until the next open enrollment period to enroll.

## **Eligible Dependents**

Eligible dependents include spouses, domestic partners, dependent children, and dependent grandchildren. (You are not required to offer coverage for dependents.)

Dependent children include children who are natural, legally adopted or placed for adoption, and stepchildren. Grandchildren are eligible if the employee has legal custody or guardianship of the child, or if the child qualifies as a dependent for income tax purposes and lives with the employee. Children and grandchildren must be unmarried, under age 25 and financially dependent on the employee. Children who are certified as disabled and dependent on the employee, regardless of age, are eligible if they became incapacitated prior to age 18.

## **Waiver of Coverage**

Employees may waive all coverage or enroll in some coverages and waive others. (For example, an employee may enroll in dental and vision and waive health care.) PERACare does not require that a waiver form be signed by the employee, but you may require a form.

## **Enrollments and Changes**

You are responsible for obtaining any forms that are required for enrollments and changes. Enrollment forms and change forms can either be mailed or faxed to PERA. The fax number is 303-863-3822. Notice of employee cancellation requests and terminations should be e-mailed to the Insurance Division at [InsuranceDivision@copera.org](mailto:InsuranceDivision@copera.org). Once PERA is notified of a termination, if it is due to a qualifying event, PERA notifies the COBRA administrator.

Since you determine eligibility for coverage and notify PERA of such eligibility, forms or documents that substantiate eligibility do not need to be sent to PERA. You should keep these forms or documentation in the employee's file. These forms and documents include *Affidavit of Common Law Marriage* and *Affidavit of Domestic Partnership*. Also, if you require a waiver of coverage form, you should keep that form.

## **Premiums**

Premiums are payable monthly in advance of the coverage month. You are charged the full premium based on the coverage level and plan the employee selects plus the Administrative Fee associated with that coverage level. Employees may select from the following four coverage levels or tiers:

- Employee only
- Employee + Spouse
- Employee + Children
- Employee + Family

You are responsible for determining the employer contribution amount and collecting any balance from the employee.

## **Administrative Fees**

PERA charges a monthly administrative fee for each employee enrolled in health care according to the employee's coverage level. No fee is assessed to employees enrolled in only dental and/or vision coverage. Following is the fee schedule:

- Employee only \$2.00
- Employee + Spouse \$4.00
- Employee + Children \$4.00
- Employee + Family \$6.00

### **Employer Contributions**

You are required to contribute at least 50 percent of the employee-only cost for the lowest cost plan available.

### **Billing Process**

The billing process begins around the 10th of the month for the following month's premium. PERA runs a preliminary premium register and sends you an e-mail, notifying you that the billing is available on the Web site for viewing. You have until the deadline, usually the 26th of the month, to make any changes. (If the 26th is on a weekend, the deadline date would change and would be included in the e-mail.) PERA runs the final premium register on the deadline and this is the amount that will be deducted from your bank account on the last business day of the month.

### **COBRA and HIPAA Administration**

Initial notification of COBRA and HIPAA rights needs to be provided to all employees, not just those who enroll in PERACare. You are responsible for fulfilling this obligation.

PERA handles all administration for employees or dependents who become eligible for COBRA by meeting a qualifying event. You notify PERA when an employee or a dependent meets a qualifying event. PERA's COBRA administrator contacts the employee or dependent and handles all administration from that point on.

### **Forms**

To administer PERACare, you will need to use the following forms:

- *PERACare Program Enrollment/Change Form*
- *PERACare Active Member Change Form*
- *Affidavit of Domestic Partnership*
- *Affidavit of Common Law Marriage*

### **Renewals**

Premiums and benefit changes are available for the next plan year approximately four months prior to the effective date of the changes. PERA sends you a letter explaining the renewal and offering assistance with open enrollment. The coverage will automatically renew unless you decide to cancel coverage.

If you decide to cancel coverage you must give PERA 30-days advance written notice and may not rejoin the program for a period of two years.

### **Open Enrollment**

Most employers conduct an annual open enrollment meeting to explain new benefits or changes to benefits and give employees the opportunity to enroll or make changes to their coverage. PERA will provide materials such as Health Plan Descriptions and rate sheets for you to distribute. PERA will also assist you in conducting open enrollment meetings. Open enrollment should be scheduled so that the deadline for enrollments and changes is at least two weeks prior to the effective date.

*This Employer Manual provides procedural information for Colorado PERA-affiliated employers as they apply to PERA processes. Membership rights, benefits, and obligations are governed by Title 24, Article 51 of the Colorado Revised Statutes, and the Rules of the Colorado Public Employees' Retirement Association, which take precedence over any interpretations in this Manual.*



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