

Legislative *UPDATE* February 2003

from the Colorado Public Employees' Retirement Association
Legislative Update is published periodically to keep interested persons informed on legislation affecting PERA.

The next few weeks will be a busy time for the Legislature. Bills will be introduced to deal with a projected state deficit this fiscal year of \$850 million.

Governor Owens made his State of the State speech to the Legislature on January 16. He spoke on his priorities in 2003 including balancing the state budget by limiting spending and not increasing taxes. He also wants the Legislature to address rising health and auto insurance premiums, improve water storage and conservation, and continue some initiatives in education. The Governor did not talk about public employee issues during his 45-minute speech, but he has indicated that he would support legislation allowing new state employees to join either PERA or a defined contribution (DC) plan.

PERA's annual oversight hearing before the Senate and House Finance Committees was held on January 16. Two bills that Colorado PERA is supporting were introduced on January 14.

SB 03-98: Modification of PERA Benefits Provisions

Sponsored by Senator Ken Arnold (Westminster) and Representative Tim Fritz (Loveland). Cosponsors include Senators Anderson and Entz and Representative Marshall. SB 03-98 was passed unanimously by the Senate Finance Committee on January 28.

Below is a list of the provisions contained in the bill as passed by the Finance Committee. For a detailed description of each item, visit PERA's Web site at www.copera.org, click on Latest News, Legislation, and Colorado PERA Legislation for the 2003 Session.

- Enhance the privacy of PERA member and benefit recipient records.
- Allow a retiree to revert to Option 1 at divorce, with reselection upon remarriage.
- Add a 100 percent match to any remaining balance in a member contribution account upon the death of a retiree who elected Option 1.
- Discontinue direct payments in lieu of contributions.
- Guarantee that employees who have terminated contributions to a county, municipal, or special district retirement plan will be allowed to roll over their accounts to a qualified retirement plan.
- Limit the number of service credit years members may purchase to a total of 10 years regardless of the date PERA membership began. (Any service credit purchase agreement initiated before November 1, 2003, will not be affected by this legislation.)
- Allow employees of Municipal Division employers to purchase all service rendered to that employer prior to its affiliation with PERA under certain conditions.

SB 03-101: Contribution Stabilization

Sponsored by Senator Dave Owen (Greeley) and Representative Brad Young (Lamar). Cosponsors include Senators Anderson, Arnold, Hanna, and Teck, and Representatives Coleman, Decker, Miller, and Tambor Williams. The bill has been referred to the Senate Finance Committee and is scheduled for a hearing on Tuesday, February 4, 2003.

Under this proposal, employer contribution rates would remain constant when PERA's funding level is between 95 and 105 percent.

- Any funding level between 95 and 85 percent would be amortized over 30 years, and gainsharing provisions would not be in effect.
- MatchMaker contributions would end after December 2003 payrolls.
- Gainsharing provisions for the MatchMaker program and the Health Care Trust Fund would resume whenever PERA is over 105 percent funded.

- Funding levels below 85 percent or above 115 percent would be amortized over 20 years.
- Employer contributions would remain at their current level through June 30, 2004, for State and School and Judicial employers, and then increase depending on PERA's funding level.

Under this same proposal, employers would send their contributions to PERA by the fifth business day after employees are paid. The current due date is the 10th day after the end of the month in which employees were paid. This proposal brings employer contributions for PERA more closely in line with contributions employers make to defined contribution plans.

Other PERA Related Legislation

Early retirement proposals by the State.

The PERA Board reviewed the proposal the Office of State Planning and Budgeting (OSPB) made last fall to allow employees who agree to retire by 2004 to purchase up to two years of service credit in PERA for years in which a member had no prior employment. The Board believes a window as proposed, would be of little use and hopes to discourage the State from any such proposal. Although a specific purchase cost was not recommended by the OSPB representatives, purchasers would have to pay the full actuarial cost of the increase in their PERA retirement benefit and health care premium subsidy to avoid increasing PERA liability. This cost could range well above 50 percent of Highest Average Salary, depending on age and current service of the employee, making it impractical to purchase. In addition, it would be difficult for PERA to administer any window program during a period when PERA will be strained to handle the service purchase requests expected before November 1, 2003, when the cost of purchasing service will increase. The PERA Board believes previous legislation in 1998 and 2000 has made early retirement very attractive and is reluctant to enhance existing early retirement benefits any further.

The OSPB also proposed extending the Rule of 80 down to age 50, but that would increase PERA's unfunded liabilities by over \$200 million. This would require higher contribution rates to PERA, and PERA would oppose this.

SB 03-165: Possible affiliation of the Denver Public Schools with PERA.

The *Denver Post* reported in its January 17, 2003, issue that the Denver Public Schools is seeking legislation to permit the District to join PERA and noted that portability with other school districts, and the strength and simplicity of PERA are some of its goals. The PERA Board supports the affiliation of the Denver Public Schools under the terms that any affiliation would be cost neutral to PERA participants and the PERA trust funds.



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