

SB 03-098: Modification of PERA Benefits Provisions

Sponsored by Senator Ken Arnold (Westminster) and Representative Tim Fritz (Loveland). Cosponsors include Senators Anderson and Entz, and Representatives Marshall, Frangas, Jahn, Stafford and Vigil.

Below is a list of the provisions contained in the SB 98.

- Maintains confidentiality for all information contained in PERA records of members and benefit recipients, effective June 5, 2003.
- Sets maximum purchase of service credit for non-covered employment at 10 years, effective November 1, 2003.
- Allows employees of new affiliates to purchase the total number of years they worked for that employer under certain conditions, effective November 1, 2003.
- Requires a portion of the service credit purchase cost to be assigned to the Health Care Trust Fund, effective November 1, 2003.
- Allows purchases of service credit for employment by a foreign employer, effective November 1, 2003.
- Deletes a seldom-used provision to make direct payments in lieu of contributions, effective July 1, 2003.
- Provides for a 100 percent match on any remaining moneys in a retiree account upon death to be paid to the beneficiary, effective for deaths occurring on or after June 5, 2003.
- Gives district courts in a divorce action the jurisdiction to allow a retiree to remove a spouse who was named cobeneficiary on his or her option 2 or 3 benefit, and change the benefit to option 1, effective July 1, 2003.
- Authorizes the retiree in the case above to elect an option 2 or 3 benefit and designate a new spouse as cobeneficiary upon remarriage, effective July 1, 2003.
- Allows retirees to fill the position of a member called into active military duty, without the 110-day calendar limit on work after retirement, effective June 5, 2003.
- Requires a minimum of 65 percent of affected employees to vote in favor of leaving their local or CCOERA plan for another plan or to affiliate with PERA, effective June 5, 2003.
- Provides for staff of The Colorado Association of School Executives to become PERA members, effective June 5, 2003.
- Allows employees in the State Elected Officials Defined Contribution Plan to leave that plan and join PERA under certain conditions, effective January 1, 2004.
- Allows employees of employers who affiliated after leaving Colorado County Officials and Employees Retirement Association (CCOERA) or another local plan to rollover their accounts to an eligible plan if they reach age 59 1/2, terminate employment, and other conditions, effective June 5, 2003.



SB 03-98 sponsors Senator Ken Arnold (left) and Representative Tim Fritz (right).



A conference committee on SB 98 met in April to consider an amendment to force CCOERA to transfer retirement assets to another qualified plan in the event any local government withdraws from CCOERA. However, that amendment could not be considered by the full House, so it was dropped from SB 98. The Senate then agreed to the House version of the bill.

Senator Terry Phillips (Louisville) and Representative Fritz then introduced SB 350 as a separate bill to deal with the CCOERA issue. That bill passed the Senate but was defeated by the House Local Government Committee on May 6. The Legislature passed SB 344, under which the State Auditor would conduct a financial audit of CCOERA, investigate its IRS qualification status, and determine its compliance with state laws. SB 344 was sponsored by Senator Norma Anderson (Lakewood) and Representative Cheri Jahn (Wheat Ridge), and was signed by Governor Owens on June 5.

This issue contains summaries of legislation from the 2003 session that impact Colorado PERA.

SB 03-101: Stabilize Employer Contribution Rates

The Governor vetoed this bill which was sponsored by Senator Dave Owen (Greeley) and Representative Brad Young (Lamar). Cosponsors included Senators Anderson, Arnold, Hanna, and Teck, and Representatives Coleman, Decker, Miller, and Tambor Williams. Under SB 101, employer contribution rates would have remained constant when PERA's funding level is between 95 and 110 percent, and gainsharing provisions would not have been in effect.

- Any funding level between 85 and 95 percent would have been amortized over 30 years.
- Gainsharing provisions for the MatchMaker program and the Health Care Trust Fund would have ended after 2003 and resumed whenever PERA was over 110 percent funded.
- Funding levels below 85 percent or above 115 percent would have been amortized over 20 years.
- Employer contributions would have remained at their current level through June 30, 2004, for State, School, and Judicial employers.

The Governor's office asked for a collar on increases in the employer contribution rate from one year to the following year of 0.5 percent. Ultimately, a limit of 0.625 of one percent of salary on year-to-year increases was included in the bill and the Legislature adopted it on May 7. The bill also required employers to 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. SB 101 would have brought employer contributions for PERA more closely in line with contributions employers make to defined contribution plans.

In his veto message, the Governor cited concern about the Legislature losing control over PERA contribution rates and lack of progress toward his goal of allowing more state employees the opportunity to join a defined contribution plan in lieu of PERA.

With the veto, contribution rates by State and School Division employers will increase from 10.04 percent of salary to 10.15 percent of salary for the year that begins July 1, 2003.

SB 03-101 sponsors Representative Brad Young (left) and Senator Dave Owen (right).



SB 03-197: Delaying Payday for State Employees

Sponsored by Senator Dave Owen (Greeley) and Representative Brad Young (Lamar). This bill is part of a package of bills that cuts state expenses for the fiscal year that ends June 30, 2003. The bill provides that salaries for the month of June will be paid on the first working day of July for all state employees, including higher education employees. For other months, payday will continue to be the last working day of the month. This results in 12 monthly paydays for state employees in calendar year 2003 and future years. SB 197 was signed by the Governor early in the session.

SB 03-233: Allow Deputy District Attorneys (DAs) and Other DA Employees to Join Colorado PERA

Sponsored by Senator Mark Hillman (Burlington) and Representative Rob Fairbank (Littleton). This bill allows Deputy DAs and other employees in the DA's office to join PERA or the State DC Plan under certain conditions. Statewide, there are 472 deputy DAs and 955 other employees (support staff).

Currently, only the elected DA is eligible for PERA, and other employees are excluded. The bill was amended by the Senate Finance Committee March 4 and passed by the Senate on March 10. It was passed by the House Finance Committee on March 21 and by the full House on April 1.

The bill was signed by the Governor on April 23 and goes into effect August 5.

SB 03-250: Possible Affiliation of Denver Public Schools (DPS) with Colorado PERA

Sponsored by Senators Paula Sandoval (Denver) and Norma Anderson (Lakewood) and Representatives Nancy Spence (Centennial), Rosemary Marshall (Denver), and Suzanne Williams (Aurora). This bill allows the merging of the assets and liabilities of the DPS Retirement System (DPSRS) into PERA under conditions that are fair actuarially to both systems. DPS would join other Colorado school districts in PERA. The PERA Board supports the affiliation of Denver Public Schools under the terms that any affiliation would be cost neutral to PERA participants and the PERA trust funds. The bill was signed by the Governor on June 5.

SB 250 outlines the key provisions of the merger, including some benefit protections for current DPSRS members. The bill authorizes DPSRS, PERA, and DPS to enter into a merger agreement. The effective date of the merger would be January 1, 2005.



Representative Nancy Spence (left) and Senator Paula Sandoval sponsored SB 03-250.

SB 03-277: Furlough and Highest Average Salary

Sponsored by Senator Peggy Reeves (Ft. Collins) and Representative Tom Plant (Nederland). The bill allows any PERA member who is furloughed for any time from July 2002 through June 2004 to have his or her Highest Average Salary (HAS) calculated based on full salary. Members affected would be allowed to pay the member contribution on the unpaid salary for that period. This payment would be made during the three months prior to retirement, and if the member pays the member contribution, the employer would be required to pay the employer contribution. The Governor signed the bill on May 1.

Employers who had furloughed employees who retired between July 1, 2002 and June 30, 2003 must report to PERA the retirees affected and the amount of pay lost for each month during the period. PERA will contact the retirees regarding the amount of member contribution that would have to be paid in order for the benefit to be recalculated. Employers must also report if they had a furloughed employee during this period, as well as furloughed employees during the fiscal year that ends June 30, 2004. (See the *Furlough Fact Sheet* on the Colorado PERA Web site at www.copera.org.)

HB 03-1204: Disclosure by Investment Firms

Sponsored by Representative Joe Stengel (Littleton) and Senator Ed Jones (Colorado Springs). This bill was passed by the House of Representatives on February 21 and by the Senate on March 4. As amended, HB 1204 would require investment firms that sell corporate securities to the State Treasurer, PERA, FPPA, and any public entity to disclose whether they have a conflict of interest for any securities they offer to sell. The bill was signed by Governor Owens on March 20. PERA believes that disclosure is standard and it will not hamper investment functions.

HB 03-1327: Nonlicensed School Employees Hired During Critical Shortage

Sponsored by Representative Dorothy Butcher (Pueblo) and Senator Abel Tapia (Pueblo). This bill extended the program that allows school districts to declare a critical shortage of nonlicensed employees and hire PERA retirees to work full-time in nonlicensed positions with no reduction in retirees' PERA retirement benefit. There are seven districts that currently are using the program. The program was enacted during the labor shortage of 1999-2000 and was due to expire this year.

Under law, PERA benefits are temporarily reduced when a PERA retiree works more than 110 days for a PERA employer in a calendar year. If the retiree works four hours or less per day, the reduction in PERA benefit occurs if the work exceeds 720 hours in a calendar year.

PERA did not initiate this bill and asked for these amendments to protect the PERA Health Care Trust Fund:

- Allow PERA retirees working in nonlicensed positions during the critical shortage to enroll in the district's health care program, and
- Provide that PERA will not pay a premium subsidy for these retirees who are working during the critical shortage. The retirees could enroll in PERACare but would not receive a premium subsidy from PERA while working full time.

The House Education Committee also extended the program through June 30, 2005. The bill passed out of committee with these amendments on March 17.

The critical shortage of nonlicensed employees program now has requirements similar to those for school districts that declare a critical shortage of teachers that allow retirees to work as teachers for more than 110 days per year with no reduction in retirement benefit. Under both programs, if a district declares a critical shortage, it must pay employer contributions to the retirement fund on salary paid to retirees who work during the critical shortage.

The full House approved the bill on April 2 with another amendment that continues the ability of the Denver Public Schools to declare a critical shortage of nonlicensed employees through June 2005. The Senate passed the bill and it was signed by the Governor on June 3.



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