Legislation Impacting Colorado PERA

May 26, 2006

By Colorado, For Colorado

Senate Bill 06-235: Concerning Public Employees' Retirement Benefit Plans

Status: Signed by Governor Owens on May 25.

Sen. Paula Sandoval (Denver) and Rep. Rosemary Marshall (Denver) sponsored this bill. The following is a summary of the major provisions:

- **Funding**
  Addition of a Supplemental Amortization Equalization Disbursement (SAED) that will begin in January of 2008 at 0.5 percent per year until an additional 3 percent is implemented. The shut-off mechanism for the AED and SAED will be changed to 100 percent funding status on a division-by-division basis. The Supplemental AED increases will be noted in statute as foregone wage increases from active employees.
- **January 1, 2007, New Hire Provisions**
  1. Maintain the current 2.5 percent of Highest Average Salary (HAS) as the multiplier factor with a 3-year HAS and an 8 percent cap per year on salary escalation during the HAS years.
  2. Change the Rule of 80 to a Rule of 85 with a minimum retirement age of 55.
  3. Implement a new COLA fund dedicated for new hire retirement COLAs at the lower of 3 percent or the actual CPI if retired for one year and have reached age 60 or if the years of service plus age equals 85; all limited to available funds.
- **Amortization Period**
  The statutorily prescribed amortization period would be reduced from 40 years to 30 years.
- **Actuarial Study Requirements**
  A new statutory provision would be enacted that requires the General Assembly to contract for an independent actuarial study before future benefit increases could occur.
- **Purchase of Service Credit**
  A new requirement to purchase service at full actuarial cost would be enacted.
- **Board Composition**
  The new Board would total 15 members as compared to the existing Board of 16 members. There would be 11 elected members (4 School Division, 3 State Division, 1 Local Government Division, 1 Judicial Division, 2 retirees). The State Treasurer would remain on the Board. In addition, the Board would include three members appointed by the Governor. The appointees would be required to have relevant professional experience and would be subject to Senate confirmation. The ex-officio position for the State Auditor would be eliminated.
- **Expansion of DC Choice to Higher Education Institutions**
  All new employees as of January 1, 2008, who work in higher education institutions would be eligible to select the PERA DB Plan, PERA DC Plan, or the State DC Plan, in addition to their existing Optional Retirement Plans (ORPs) at the institutions that have ORPs. This includes faculty and administrators who have not previously had access to PERA DB, PERA DC or the State DC Plan. It also includes classified staff who have not been eligible for DC Choice. Current members of ORPs could not elect to participate in PERA DB, PERA DC, or the State DC.

This issue contains summaries of legislation from the 2006 session that impact Colorado PERA.

More legislation summaries inside

Senate Bill 06-6: Deny PERA Employment to Convicted Felons

Status: Signed by Governor Owens on March 31.

This bill clarifies PERA's ability to include a criminal background check of job applicants with other checks that are part of the PERA employment process. Previously, except in a limited number of cases, having a felony conviction, in and of itself, did not preclude an applicant from public employment. This bill allows PERA to consider an applicant's criminal history when making employment decisions. It was sponsored by the Legislative Audit Committee and prime sponsors were Sen. Stephanie Takis (Aurora) and Rep. Al White (Winter Park).

Legislation Introduced That Did Not Pass

Senate Bill 06-162: Retirement Benefits For Public Employees

Status: Postponed indefinitely by the Senate State, Veterans, and Military Affairs Committee on April 26.

Sponsored by Sen. Dave Owen (Greeley), this bill would have changed the eligibility for unreduced service retirement for new hired and for current members under age 40 who were not vested by January 1, 2007. Additionally, new members hired after January 1, 2007, would not receive annual increases in PERA monthly benefits unless PERA is overfunded. New hires would also have the option to join the defined contribution plan instead of the PERA defined benefit plan. Changes not affecting members included changing the structure of the PERA Board and requiring that legal advice to the Board come exclusively from the Attorney General.

Senate Bill 06-174: Public Employee Pension Benefits (PERA Proposed Legislation)

Status: Postponed indefinitely by the Senate State, Veterans, and Military Affairs Committee on April 26.

Introduced by Sen. Paula Sandoval (Denver), this bill was PERA's original proposed legislation. Current members would have had their subsidy toward retiree health premiums prior to age 65 reduced and "spiking" of salaries for Highest Average Salary (HAS) calculations would have been limited. New members hired after January 1, 2007, would have been in a separate benefit plan with different retirement benefit determinations, no guaranteed annual increases after retirement, and a lower salary contribution. The bill also would have accelerated the current phase-in of employer Amortization Equalization Disbursement (AED) payments.

House Bill 06-1329: Clarify Retirement Plan Election Options

Status: Postponed indefinitely by the House Business Affairs and Labor Committee on February 22.

Sponsored by Rep. Ted Harvey (Highlands Ranch) this bill would have allowed new State judges to have the same retirement plan choice options as other eligible State employees hired on or after January 1, 2006. Judges could elect membership in the State's defined contribution plan or PERA's defined benefit or defined contribution plan. The Judicial branch and judges association opposed the bill.

House Bill 06-1083: Public Employee Retirement Plans

Status: Postponed indefinitely on February 8 by the House Committee on Business Affairs and Labor.

The House Minority Leader, Rep. Joe Stengel (Littleton), introduced HB 06-1083, which was designed to overhaul PERA in line with the goals of the Americans for Prosperity, a Washington D.C.-based group.

The bill required that all new employees hired by PERA employers join a defined contribution (DC) plan beginning in 2008. It would have also eliminated the current PERA Board. A new Board would consist of seven gubernatorial appointees, as well as the State Treasurer and State Auditor, who would be ex-officio (but voting) members. Additionally, the bill would have allowed the Legislature to reduce benefits as needed for all members not eligible for retirement to attain an amortization period of 30 years or less.

Other Items of Interest to PERA

Proposed Ballot Initiative #106: Public Employees' Retirement Association Reform

Status: Ballot Initiative #106 was withdrawn by its sponsors on May 10.

Ballot Initiative #106 contained many of the same provisions as House Bill 06-1083, which was postponed indefinitely.

The Ballot Initiative would have placed oversight of PERA's Board in the Governor's "Office of Budget and Management." The current Board would be replaced with a nine-member Board, which included: the State Auditor and State Treasurer, three Governor appointees (one each from the Colorado Bar Association, Society of Actuaries, and Society of Certified Public Accountants), two elected PERA defined benefit plan members/retirees, and two elected PERA defined contribution members/retirees. This new Board would be required to make recommendations for improving the financial stability of PERA within the first 120 days (by the end of April 2007). The Colorado Attorney General would be the exclusive legal adviser to the Board.

Changes for future members included requiring any member hired on or after January 1, 2007, to join a new defined contribution plan created by PERA. Any current PERA member would also have the option of joining the defined contribution plan in lieu of their current defined benefit plan. Employers would contribute 8 percent to the defined contribution plan.

Current members would not be allowed to reinstate refunded PERA service. Retirement age and service requirements would change for members hired before January 1, 2007, who are under age 40 and not vested. If the amortization period exceeded 30 years, the Legislature could modify contribution rates or benefits. They could not change benefits for members eligible for retirement.

COLORADO PERA

Personal.
Innovative.
Secure.
www.copera.org