

Summary of the Draft Bill for the Denver Public Schools Retirement System (DPSRS)/PERA Merger

The bill will modify the existing law that authorizes DPSRS and Denver Public Schools (DPS) to enter into an agreement to merge into PERA.

- 1) The effective date of the merger is January 1, 2009, or a later date as agreed to by the parties.
- 2) The merger agreement will define the material adverse changes that may allow a party to terminate the merger prior to the effective date.
- 3) The parties will also define what effect any post-signing litigation may have on the merger.
- 4) DPS and its related employers will become affiliated employers with PERA subject to PERA laws and rules and all on-going contributions will be governed by PERA laws and rules.
- 5) As of the effective date of the merger, current DPSRS retirees, beneficiaries, survivors, and disability retirees will not have a reduction in their benefits because of the merger.
- 6) The parties will negotiate a separate agreement to deal with health care coverage for retirees, beneficiaries and members of DPSRS, but the agreement shall not require PERA to provide subsidies in excess of the subsidies provided in DPSRS, including PERA's subsidy for coverage equivalent to Medicare Part A.
- 7) The parties will negotiate portability rules and include them in the merger agreement.
- 8) The merger will not result in the involuntary reduction of anyone's benefits. Pursuant to the negotiated portability rules, the members may be allowed to make informed choices that result in an immediately lower benefit.
- 9) Two valuations, completed by PERA's actuary, shall occur:
 - a. The initial valuation completed within 60 days of the signing of the agreement will be based on December 31, 2007, audited financial reports, with consideration of the proceeds to DPSRS for the pension certificates of participation; and
 - b. The final valuation based on December 31, 2008, audited financial reports or such later reports as are agreed upon by the parties.
- 10) The valuations shall establish a single up-front payment that will be the amount of assets that must be transferred from DPSRS to PERA in order to avoid any subsidy between the parties and equalize the funding status of the systems.
- 11) The methodology for the valuations will be agreed to by the parties in the merger agreement. If there is disagreement about the methodology preventing a merger agreement the parties may take the dispute to non-binding arbitration before a panel of three actuaries.

- 12) If there is a dispute as to the calculation of a single up-front payment based on the final valuation, either party may take the dispute to final and binding arbitration before a panel of three actuaries.
- 13) An Asset Surplus Account, ("ASA"), shall be calculated based on the initial valuation. It shall consist of the total value of the assets transferred on the date of the merger minus the single up-front payment.
- 14) Such ASA will be updated based upon the final valuation.
- 15) The ASA monies may be used by DPS as a credit towards their employer contributions, the Amortization Equalization Disbursement (AED) and the Supplemental AED (SAED). However, DPS may not use the credit toward the portion of the employer contribution attributed to the Health Care Trust Fund.
- 16) The parties shall bear their own costs; except the parties will share the actuary fees, and the school district will pay the costs of the IRS rulings and determination letters related to the merger.
- 17) DPSRS shall maintain fiduciary liability insurance and name PERA as an additional insured.
- 18) PERA will hire the DPSRS staff as of the effective date of the merger, but they will continue to accrue DPSRS benefits as administered by PERA and DPS or DPSRS will be responsible for payment of accrued employment benefits of those staff.
- 19) PERA's law is amended to ensure that section 22-64-220 is appropriately incorporated by reference allowing the PERA Board of Trustees to administer the plan consistent with the written agreements resulting from the merger.