



Senate Bill 10-001 Provisions

Impact on PERA Retirees Under the PERA and DPS Benefit Structures

February 25, 2010

Senate Bill 10-001 (SB 1), the legislative package to put Colorado PERA back on track to being fully funded, was signed by Governor Bill Ritter on February 23, 2010.

This successful legislation was the result of many thousands of hours of work since the fall of 2008 by PERA's Board of Trustees, staff, legislators, representatives of public employee and employer groups, and all the PERA members and retirees who participated in our public hearings, answered our surveys, or made their voices heard in other ways.

The legislation includes the necessary provisions to ensure that PERA can provide retirement security not just for today's retirees, but also for those who may be just beginning their careers in public service or are yet to be hired. As SB 1 provides PERA long-term stability and sustainability, this solution requires a shared sacrifice from retirees, public employees, and public employers.

Listed below are the provisions of SB 1 that impact PERA benefit recipients.

Cost of Living Adjustment (COLA)/Annual Increase

- Reduce the cost of living adjustment (COLA) to an amount equal to the lesser of the CPI-W or 2 percent, effective on the date the bill becomes law. The amount of the 2010 COLA will be a zero COLA since it is based upon the CPI-W for specified periods in 2009. The COLA applied in years beginning in 2011 will be the applicable COLA cap (currently 2 percent) unless PERA has a negative investment year, in which case the COLA for the subsequent three years will be the lesser of the applicable COLA cap or the CPI-W.
- Change the COLA payment month from March to July.
- Allow for the COLA cap to be adjusted based on PERA's overall year-end funded status, with increases mandated when PERA's funded status is over 103 percent and decreases mandated when PERA's funded status subsequently falls below 90 percent. The COLA cap will not fall below 2 percent.
- Require all members with a retirement effective date of January 1, 2011, or later to receive benefits for a 12-month period prior to being eligible to receive a COLA. In addition, members not eligible to retire as of January 1, 2011, who subsequently retire with a reduced service retirement, must reach age 60 or meet the applicable age and service requirement for a full service retirement in order to be eligible for a COLA.

Suspending Benefits

- Prevent the recalculation of a service retirement in the event of a suspended benefit on or after January 1, 2011. A separate benefit would be earned in addition to the suspended benefit. If less than 12 months of service credit is earned during the period of suspension, the retiree shall be required to refund the separate segment. If more than 12 months of service credit is earned during the period of suspension, the retiree will have the option to refund their separate benefit segment or receive an additional benefit segment, which would be calculated based upon age at which the retiree begins drawing the new benefit, years worked, and salary earned during the period of suspension.

Working After Retirement

- Require retirees who return to work to make contributions at the same rate as all members working for that employer. Such contributions are nonrefundable and would not accrue a benefit nor be deposited into the member account.
- Add 30 days to the 110-day limit for working after retirement in a calendar year without penalty for up to 10 service retirees per employer in the School Districts and Higher Education Institutions provided full contributions are paid. Each year the employer must designate the 10 retirees who are subject to the 140-day limit.