



TOPICS

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PERA Disability Program Begins January 1, 1999

PERA's new Disability Program becomes effective January 1, 1999. After this date, employers should:

- ◆ Discard all *Disability Retirement* brochures and applications you have in stock (these brochures are now obsolete); the new brochure is enclosed with the application form on the last page.
- ◆ Discard the "draft" *Disability Program* brochure and *Employer Guide for PERA's Disability Program* handout distributed to those attending the employer training sessions or sent with the last issue of *TOPICS* this fall.
- ◆ Order a limited number of new *Disability Program* brochures to provide to employees who believe they may qualify for the program. For now, PERA will limit ordering to 25 copies since, as with any new program, changes may need to be made.
- ◆ Advise members that they may obtain the brochure by calling PERA or ordering it from PERA's Web site.

PERA held seven information meetings earlier this month for employers with about 100 personnel/benefits staff attending. Here are some major points about the Program that were discussed:

- ◆ To apply, applicants must be vested, not eligible for service retirement, and not have withdrawn their PERA accounts. Application should be made as soon as a medical condition prevents the member from engaging in his or her regular job duties, but no later than 90 days after termination of employment.
- ◆ The goal of the STD plan is to return the employee to work—either to his or her previous job or to another job, either with his or her previous employer, or another employer. The decision of whether an employer terminates employment for an employee who is on STD or continues the employee on a leave of absence is left to the employer. The program includes reasonable accommodation expense of up to \$5,000 to the employer so the applicant may return to work; this expense must be approved in advance.
- ◆ Any STD payment is primary to an employer-sponsored disability policy and an individually-paid policy.
- ◆ Any STD payment is secondary to any employer-paid earnings, paid leave, workers' compensation or similar law, unemployment compensation, benefits received as a result of no-fault insurance, and amounts received to resolve a back pay claim or a compromise, settlement or other method as a result of a claim.
- ◆ STD payments are taxable, and may be subject to Medicare tax, depending on the member's status.
- ◆ Disability determinations are based upon whether medically a member can work, not whether he or she does work. STD payments may be paid up to 22 months.
- ◆ STD payments will be based upon a member's predisability, monthly average PERA-includable salary for the previous 12 months. (Remember that Section 125 flexible spending account amounts are not in PERA-includable salary.)
- ◆ Termination of disability retirement benefits may occur if the disability retiree (who applied after December 31, 1998) later is determined by Standard to no longer be disabled from regular and substantial gainful employment.
- ◆ Regular and substantial gainful employment means any job for which the member could earn 75 percent of his or her predisability, PERA-covered earnings.
- ◆ Anyone who submits an application for a disability that existed before January 1, 1999, and that continues into 1999, and who did not apply for disability retirement before that date, will be required to meet a 60-day waiting period during 1999.

Employers are encouraged to review the *Disability Program* brochure, and to call PERA's Customer Service Center with any questions. PERA will advise employers' personnel offices when a member has applied for the Program. PERA will include another article about the Program in its January *Member Report*. Changes to the *Employers' Manual* are in process and will be mailed in January.

401(k) Plan Limits: Plan limits for 1999 are not changing—the contribution limit continues to be between 1 and 23 percent, up to a maximum of \$10,000. Employer matching contributions do not add to the maximum dollar limit but are calculated into the maximum percentage limit.

PERA Board Proceeds with Legislative Program

The PERA Board of Trustees is pursuing a number of legislative changes to be introduced in the 1999 session of the General Assembly. The costs of the changes would be absorbed by the PERA Trust Fund.


Sen. Norma Anderson (Lakewood) and **Rep. Bill Kaufman** (Loveland) will sponsor the main benefits bill that will include pension and health care program changes for PERA. Here is a brief recap of some of the changes proposed:


- ◆ Increase the matching amount from 25% to 50% on refunds before retirement eligibility and from 50% to 100% for accounts left in PERA until the inactive member is eligible for retirement or age 65. For the Municipal Division, the match would be 40%/80% until its Trust Fund is actuarially able to support a 50%/100% match.
- ◆ Reduce the member contribution rates for State Troopers (including CBI agents) from 11.5% to 11.0% of pay.
- ◆ Increase contributions to the Health Care Fund by 0.3% to 1.1% of pay on July 1, 1999, and reduce the employer contribution rate to the pension fund to 10.3% for State and School employers and 8.9% for Municipal employers.
- ◆ Double the health care premium subsidy for retirees under age 65 in July 2000.
- ◆ Allow PERA-affiliated employers to cover their active employees through PERA's Health Care Program.
- ◆ Authorize the Board to designate a portion of the employer contributions for the purpose of matching voluntary contributions by PERA members to defined contribution plans effective in the year 2001.


Rep. Matt Smith (Grand Junction) will sponsor a bill that will bring state law into conformance with federal law regarding the purchase of service credit. Internal Revenue Code (IRC) 415(n) limits purchases by employees who first become members of PERA on or after January 1, 1999. No more than five years of private sector employment can be purchased.


Sen. Ken Arnold (Westminster) will sponsor a proposed resolution expressing the Legislature's opposition to mandatory Social Security for state and local workers.

PERAgraphs

 **Automatic Checking/Savings Account Deductions Begun:** PERA has begun automatic checking or savings account deductions to make it easier for members to purchase service credit, pay life insurance premiums, and make payments on 401(k) loans. PERA is allowing inactive members or active members who have intermittent pay patterns and do not receive a monthly paycheck to participate in the life insurance premium automatic payment service. The preferred method of paying life insurance premiums continues to be payroll deduction reported through the PERA employer contribution reporting process. If you have intermittent pay employees, you may request the special form from PERA that they must complete to arrange for automatic deductions.

 **Employers' Manual Published:** With the distribution of the new *Employers' Manual*, don't forget to discard any previous versions of the manual that you may have. If you need additional copies of the manual, you may call PERA's Customer Service Center or your Employer Representative.

 **Board of Trustees Election for 1999:** Five Trustee positions will be up for election in May 1999—one from each division and one retiree elected from State, Municipal, and Judicial employers. Any active PERA member may serve on the Board. To obtain a candidacy packet, send a letter to Steve Brown, PERA Deputy Executive Director, 1300 Logan Street, Denver, CO 80203. Include your name, address, employer, home telephone number, and Social Security number.

 **415 Limits:** For a few retirees, IRC Section 415(m) imposes limits on the annual retirement benefit that PERA may pay a retiree from the Trust Fund. For many years, the limits posed no concern to PERA because they were not achievable, given the pay scales, benefit structure, and retirement eligibility requirements. Recently however, with changes in benefit and eligibility, the limits are impacting a few members. As an example, the IRC limits the annual benefit paid by PERA to \$55,000 for a 50-year-old retiree. The amount also varies depending on the benefit option the member selects and the amount of any tax-paid contributions or purchases of service credit with tax-paid funds.

To address this situation, PERA has implemented a Replacement Benefit Arrangement (RBA) effective on January 1, 1999. The IRC allows RBAs and will provide for payments by an employer to any retiree whose benefit from the PERA defined benefit plan is limited by IRC 415. The amount of the payment under the RBA will equal the amount not paid by PERA. This RBA involves the employer paying the retiree. PERA will return contributions by the employer equaling the amount of the payment. More details will be provided to employers who have members that are affected by IRC 415 (m).