



TOPICS

Legislative Recap

Governor Signs HB 98-1191; Unreduced Retirement for 30 Years+ Service

On May 27, 1998, Governor Roy Romer signed HB 98-1191, which contains a provision that changes state law and allows unreduced retirement benefits for any PERA member who has 30 or more years of service credit and is at least 50 years old. The law change applies to all retirements effective on July 1, 1998, or later. The Legislature passed the provision as an amendment to HB 98-1191 on May 6 as a cost savings move to encourage earlier retirement for those with longer years of service. Sen. Jeff Wells (R-Colo. Springs) introduced the amendment in the Senate near the end of the General Assembly's 1998 session.

In addition, the change lowers the early retirement reduction factor from 4 percent to 3 percent per year for those who retire between ages 55 through 59 with 20 to 29 years of service.

State/School Employer Contribution Rate Reduced

House Bill 98-1242, sponsored by Rep. Norma Anderson (R-Lakewood) and Sen. Doug Lamborn (R-Colo. Springs), lowered the employer contribution rate for State and School Division employers, except for State Troopers and Colorado Bureau of Investigation agents, effective this month. The Governor signed that bill on May 18, 1998. The new contribution rate is 11.4 percent—10.6 percent for the pension trust fund and 0.8 percent for the Health Care Fund, which prefunds subsidies for retiree health care premiums. **Employers should change the contribution rate they pay on PERA-includable salaries in the contribution report due to be forwarded to PERA by August 10.** (As a result of this rate reduction for employer contributions, the cost to purchase service credit not previously covered by PERA also was reduced on July 1 to 18.7 percent of Highest Average Salary.)

PERA Board Election Results Announced

PERA members re-elected two incumbent Trustees to the 16-member Board of Trustees in an election held in May, and a third Trustee was unopposed for another four-year term.

State employer members re-elected Donna Bottenberg from the University of Northern Colorado (UNC) to serve as a Trustee for another four years. Bottenberg, Executive Assistant to the UNC President, has served five years on the Board and is currently the chairman of the Investments Committee. Others running for the position were Dan S. Whittemore, Colorado Community College and Occupational Education System; Helen Kleysteuber, Community College of Denver; and Jim Gelwicks, Western State College.

School employer members re-elected Kim Natale, a science and math teacher in Jefferson County School District, to serve another four-year term, having already been a trustee for 13 years. Charles Wood, also from the Jefferson County School District, also ran for the seat.

Municipal Division Trustee Mark Anderson, the insurance and claims manager for the City of Colorado Springs, ran unopposed for another four-year term on the Board. The following vote count occurred:

<u>State Category of State and School Division</u>	<u># of Votes</u>	<u>% of Votes Cast</u>
Donna Bottenberg, <i>Univ. of Northern Colorado</i>	2,367	41.40%
Dan Whittemore, <i>Community College & Occupational Ed System</i>	1,937	33.88%
Helen Kleysteuber, <i>Community College of Denver</i>	763	13.34%
Jim Gelwicks, <i>Western State College</i>	651	11.38%
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	5,718 (12.95% of eligible voters)	
 <u>School Category of State and School Division</u>		
Kim Natale, <i>Jefferson County Schools</i>	7,262	61.64%
Charles G. Wood, <i>Jefferson County Schools</i>	4,519	38.36%
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	11,781 (14.12% of eligible voters)	

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LTC Program Adds New Benefits, Sets New Open Enrollment Deadline

U.S. Care, the program manager for the Long-Term Care Program through PERA, has received approval from the PERA Board of Trustees and the Colorado Division of Insurance to add a new “Community Care” benefit to its Quality Plan. Already the most affordable of the Program’s three plan options, the Quality Plan will now include Assisted Living, Adult Day Care, Hospice Care, and Respite Care benefits already offered in the other two plans. This benefit upgrade is being provided with no increase in premium.


After agreeing to add the new benefit to the Quality Plan, the Board authorized the open enrollment period to continue until September 30, 1998, to provide people with the time they need to consider these new benefit options.


U.S. Care has been contacting PERA-affiliated employers with an offer to provide on-site information meetings for your employees about long-term care insurance generally, and the Program specifically. If you would like a meeting at your employer’s location, or have questions about the Program, call U.S. Care at 1-888-PERA-LTC.


PERAgraphs

 **Publication/Form Changes:** Since the last *TOPICS* in May, the following publications have been revised.


- ◆ **1997 Comprehensive Annual Financial Report (5/20 Rev 6-98)**—This annual report contains statistical, actuarial, and financial information about PERA and the funds it manages. One copy is included with this issue of *TOPICS* for payroll and personnel offices. You may order additional copies through our web site or by calling PERA. We have also mailed copies to a number of accounting firms and others who have requested to be on the mailing list for this annual report. A summary will be included in the next issues of *Member Report* and *Retiree Report*.
- ◆ **Your PERA Benefits (5/5 Rev 7-98)**—The revision includes the changes enacted by HB-1191 and other minor changes since last January. We are also sending this revised publication to all personnel and payroll offices with *TOPICS*.
- ◆ **PERA’s 401(k) Plan (14/20 Rev 6-98)**—This booklet, also enclosed with *TOPICS*, contains many revisions. Please destroy any previous versions of this publication. Employers should order only enough 401(k) information kits that will last them one or two months; please do not order more as the information in the kits changes frequently. If they sit on your shelf for awhile, you will be distributing old information. If you have a special need, please explain that when ordering. You may want to use the 401(k) information mailers instead. These have a postage-paid business reply card. Also, we encourage you to invite our field education representatives to attend any meetings you have about tax-deferred plans.
- ◆ **Taxes on PERA Benefits (2/91 Rev 5-98)**—This updated brochure, which contains a tax withholding form to be used by PERA benefit recipients, is sent to all members who request a retirement kit. Employers do not need to have this brochure available for members since most of the information is also contained in *Your PERA Benefits*.
- ◆ **Purchasing Service Credit (8/104 Rev 7-98)**—Included with *TOPICS* for payroll and personnel offices
- ◆ **Informacion para Nuevos Miembros de PERA (5/57A Rev 3-98)**—As we mentioned in the last *TOPICS*, we now have the Spanish version of *Information for New PERA Members*. Please provide this to employees who speak Spanish only or are more comfortable speaking Spanish.


 **Maximum Contributions for 401(k) Plan:** Members may contribute between 1 percent and 23 percent of their PERA-includable salary plus Section 125 deductions, not to exceed \$10,000 in 1998. Employers should automatically stop deductions once they have reached the \$10,000 level this year. PERA has sent several notices about these maximums and about how to handle 401(k) contribution amount changes made by a member. The new procedure provides for the member to let the employer know directly how much to deduct from their pay for their 401(k) account. Please be sure to forward this information to any outlying offices that deal with payroll issues for your employer.


 **401(k) Loans Now Use ACH for Payments:** Participants in the 401(k) Plan who obtain a loan from their accounts may now have their payments withdrawn automatically from a savings or checking account. In the future, PERA plans to make this service available to members who purchase service credit and for intermittent employees who are in one of the PERA life insurance plans.


 **Year 2000 Compliance:** PERA is currently completing the initial phase of its year 2000 compliance project. Employers, investment service providers, and information systems vendors have been contacted regarding their efforts to ensure year 2000 compliance. Follow-up will occur in early 1999 to monitor their progress.


Internally, PERA has been modifying its application software to handle four-digit years and will be compliant by mid-year 1999. Year 2000 testing will be incorporated within PERA’s business continuation plan and will be tested before the turn of the century. PERA’s Board, management, and staff are dedicated to ensuring that PERA will continue to effectively conduct its normal operations through the end of 1999 and continue right into the next century.


 **Purchasing Service Credit:** All service credit purchases must be completed before a member terminates employment (including retirement). If an employer is going to pay an employee a bonus to purchase service credit, that check would have to be given to the employee before he or she terminates employment and in sufficient time for the member's check to be received at PERA.

 **Life Insurance Cancellation Procedure Changes:** We are changing our procedures for cancellation of life insurance enrollments for those members who send in life insurance application forms but do not have any premiums remitted. PERA will now give employers one full payroll cycle (two months) to start submitting life insurance premiums for new enrollees. If the premium is not received within the second month after the life insurance was expected to start, the application will be canceled. A notice will be sent to the employer informing you that it is too late to begin life insurance deductions and that you should not remit life insurance premiums for the appropriate members.

 **Life Insurance Transfers:** Employers should look closely at the completed *Member Information Form* of any employee transferring from another PERA-affiliated employer or a new employee who is also working for another PERA employer. If the new employee answers "yes" to the question "Should this new employer deduct your (life insurance) premiums," and you haven't received an authorization from PERA, call PERA's Customer Service Center or your employer representative to verify insurance coverage. You then can begin deducting those premiums immediately; you do not need to wait for a letter of authorization from PERA.


 **Member Information Forms:** Some 25 percent of all Member Information Forms we receive still have the NCR second sheet attached. Please keep these sheets for your file. If you don't need it, please only order single sheet forms.

 **Dental and Vision Benefits Survey:** A big thank you to the employers who completed the survey about vision and dental benefits for their employees. About 200 employers responded. Repeatedly in retiree surveys, retirees ask PERA to make vision and dental benefits available. The Board of Trustees is discussing that possibility at its working retreat in July, so your information was helpful in providing the Board with background on what employers make available to employees. About 160 of the employers who responded provide dental coverage at an average premium of about \$19 per month with most of the employers providing a 100 percent subsidy for the employee. Fewer employers (108) provide a vision plan with an average cost of about \$11 with only about half of the employers picking up 100 percent of the premium.


 **Legislative Advisory Committee Meeting:** About 40 members and retirees met recently with Board members and staff to discuss possible legislative changes for next year. The participants were appointed by Trustees to attend the meeting and comment on various proposals and the needs of the overall membership. This year a special effort was made to invite members who work in the benefits and human resources fields for PERA employers. Many topics were discussed including the need to address the high cost of retiree health care, whether improvements should be made in the "matching amount" for members who withdraw their PERA account, whether PERA should provide vision and dental insurance for retirees, and other benefit changes. The Board of Trustees appreciates the input of the Committee as a whole, and specifically those attending from the PERA employers. The following employer representatives were present:


Sara Alt, *State Department of Personnel*
Lori Bates, *Colorado State University*
Preston Driggers, *Douglas County Public Library District*
Tim Greene, *Metropolitan State College*
Pat Hanley, *City of Boulder*
Debby Lane, *Colorado School of Mines*
Pat Ralston, *University of Colorado-Boulder*
Joyce Testerman, *Littleton School District*

Jan Rothmeyer, *State Department of Personnel*
David Bravo, *Auraria Higher Education Center*
Diane Garton, *Colorado Springs Memorial Hospital*
Dan Griego, *Colorado State University*
Gregory Kruthaupt, *Kiowa School District*
Vicki Mair, *University of Colorado-Colorado Springs*
Julie Taylor, *Poudre School District*
Beth Vega, *City of Pueblo*

 **IRS Issues Revised FICA Withholding Guide:** According to *Pension & Benefits Update*, a publication of the Government Finance Officers Association, the IRS in cooperation with the Social Security Administration and the National Conference of State Social Security Administrators has released a revised version of its reference guide, *Social Security Coverage and FICA Reporting by State and Local Government Employers*. The publication is a comprehensive source for information about FICA coverage and withholding rules. To order copies of the guide, you may call IRS (1-800-829-3676) and ask for the 1997 edition of Publication 963 or contact the state Social Security administrator's office, Colorado Department of Labor and Employment, Becky Greben or Maryann Motza, 303-620-4458 or 303-620-4432. Hopefully, all PERA employers are in compliance—that is, you are covering all persons employed after March 31, 1986, with Medicare (including PERA retirees even though they are not required to participate in Social Security or PERA).


The State office also has a new publication titled "*Public Employees and FICA Coverage*" that you may want to obtain. Published in June, it provides a succinct summary of the basic aspects of state and local Social Security and Medicare coverage, tax withholding, and public pension/retirement system requirements. You may also e-mail the state office for a copy: becky.greben@state.co.us.

 **Employer Manual Revision:** The long-promised and totally revised PERA *Employer Manual* will be going to the printer at the end of July. If all goes well, copies of the publication should be in the hands of employers by the end of August. Initially, we will mail copies to each personnel, benefits, and payroll office with an order form for more copies.

 **Employer Training Sessions Scheduled:** PERA has arranged for 15 employer training sessions to be held around the state this fall (see list below). Registration will begin at 8:00 a.m.; the session begins promptly at 8:30 a.m., and will conclude after lunch at about 1:00 p.m. The sessions will cover the contents of the Employer Manual, latest information on the new disability program, and other topics. You may call PERA's Customer Service Center at 303-832-9550 or 1-800-759-7372 to reserve a place at the training session you wish to attend. You'll be asked to provide your name, job title, employer name, and date of the meeting that you wish to attend. Also, please call to cancel your reservation if you are not going to be able to attend.

Alamosa	September 21	Holiday Inn
Aurora	November 16	Holiday Inn Denver Southeast
Boulder	September 11	Broker Inn
Colorado Springs	September 17	Best Western Le Baron Hotel
Durango	September 22	Best Western Rio Grande Inn
Fort Morgan	November 5	Quality Inn
Ft. Collins	September 9	Lincoln Center
Glenwood Springs	October 5	Ramada Inn
Grand Junction	September 25	Grand Vista Hotel
Lakewood	September 10	Best Western Denver West
Lamar	September 14	Best Western Cow Palace Inn
Montrose	September 23	The Pavilion
Pueblo	September 18	Pueblo Convention Center
Sterling	November 6	Ramada Inn
Denver*	November 4	Ft. Logan—9:00 a.m.

*Only State Payroll Personnel Users Group

 **OPPOSE Changes to CPRS—Coalition to Preserve Retirement Security:** If you have been around PERA for a while, you probably are aware of OPPOSE—an acronym for the Organization for the Preservation of the Public employee retirement industry and Opposition to Social Security Expansion to such industry," a lobbying group that opposes mandatory Social Security coverage. PERA created OPPOSE around 1980. It has been effective in advising Congress of our view that mandatory Social Security coverage for public employees is not wanted nor needed, and would generally be harmful to our ability to improve benefits or reduce contribution rates. PERA has been joined in this organization by many other state and local systems, and groups such as CAPE, CEA, Colorado Classified School Employee's Association, Colorado Retired School Employees' Association, and Colorado Association of School Executives. Recently, the name of the organization was changed to the Coalition to Protect Retirement Security (CPRS). CPRS has a Web site that we encourage you to visit; it includes testimony before Congress, impact of mandatory Social Security on benefits and financing of PERA and other retirement systems, legislative actions, and much other information. The site is located at www.retirementsecurity.org.

Employers can help PERA and CPRS in this struggle by sending letters to Colorado's Congressional delegation as well as to the President and Vice President of the United States.

 **Latest 401(k) Rates of Return—as of June 30, 1998**

	1998 2nd Qtr	Last 12 Months	5-Year Annual Average
Money Market Fund (Northern Trust)	1.41%	6.32%	5.16%
Short-Term Bond Fund (PIMCO)	1.43%	7.23%	6.60%
Long-Term Bond Fund (PIMCO)	2.56%	11.01%	7.62%
Balanced Fund (Dodge & Cox)	0.11%	15.20%	15.15%
Growth & Income Stock Fund (PERA)	2.87%	26.51%	22.72%
Growth Stock Fund (Fidelity)	4.47%	29.75%	20.37%
International Stock Fund (American Funds)	-0.29%	7.05%	15.60%

 **TOPICS:** Need additional copies of *TOPICS* for your staff? Let us know and we'll arrange it.