



TOPICS

OFFICIAL BULLETIN FOR PERA-AFFILIATED PAYROLL/PERSONNEL STAFF


No. 99-3


Municipal Division Amortization Period Allows for Full Matching


PERA's actuary provided the Board of Trustees at its May meeting with the actuarial report for the period ended December 31, 1998, for the three PERA divisions. The report showed that the amortization period to pay off the unfunded liability for the Municipal Division Trust Fund was down to one year. This low amortization period means that any PERA member who terminates and refunds an account after July 1, 1999, will receive a 50 percent matching amount of his or her contributions and interest if the refund occurs before retirement eligibility and a 100 percent matching amount after retirement eligibility or age 65. Under Senate Bill 99-90 enacted this year, the law would have provided for Municipal Division members to receive a 40 percent and 80 percent match respectively, until the Division's amortization period was below 30 years. Since the actuary's report said the fund's amortization period was below 30 years, PERA will be able to pay the 50 percent and 100 percent matching amount immediately on the July 1 effective date. The amortization period increased to five years after considering the changes made by SB 99-90.

PERAGraphs

 **TOPICS on Web Site:** Past issues of all *TOPICS* published since January 1, 1997, are now on the PERA Web site (www.copera.org) in the Employer Section if you want to review.

 **Contribution Report Summary Form Changes:** A revised *Contribution Report Summary (1/3)* is being printed and a pad of forms will be sent to all payroll offices within the next few weeks. When you receive your revised forms, please throw away all of the older forms and begin using the revised version immediately when you submit your *Contribution Report* to PERA. The revised form includes a line for the payroll period and the date the employees were paid. The form has also been changed to clarify that the total amount due to PERA is equal to the member contributions shown on the detailed *Contribution Report*, plus life insurance premiums shown on the *Report*, plus the employer contribution amount. As always, member detail information and adjustments to member detail information should be made on your detailed *Contribution Report*. The "adjustment" line on the *Summary* typically should not be used unless you have previously discussed a special situation with your PERA employer representative.

 **Contribution Cap:** Internal Revenue Code Section 401(a)17 limits the amount of salary subject to pension contributions for individuals hired after January 1, 1996, to the first \$160,000. As a result, employers should discontinue submitting contributions to PERA on any member's PERA-includable salary once it reaches \$160,000 in a year if that member began PERA membership after the above date. PERA employer representatives will be contacting those employers who have an employee(s) who will exceed this amount. This amount will change in the future when inflation indicates a change of at least \$10,000.

 **Revised Publications:** Personnel and payroll staff are being sent copies of the following publications. In the last *TOPICS*, we mentioned that we were sending the 401(k) brochure but at the last minute had to delay sending it to you until now. Other readers may order these publications through PERA's web site or by calling PERA. Revised publications include:


Taxes on PERA Benefits (2/91 REV 4-99)

PERA Retirement Process (5/1 REV 5-99)

401(k) Plan Brochure (14/20 REV 4-99)

Member Information Form (8/324 REV 5-99)

Survivor Benefits (5/9 REV 1-99)

 **Employers' Manual Changes:** The following changes have been made to the *Employers' Manual*. The updated pages are included in this mailing to personnel and payroll offices. Other persons receiving *TOPICS* may order copies by calling PERA or e-mailing us at customerservice@copera.org.

- ♦ **Replacement Benefit Arrangement:** Add this new section to your *Employers' Manual*. The section explains the Internal Revenue Code Section 415(b), which limits the benefit amount that a retiree can receive from a tax-deferred retirement trust plan like PERA. PERA's Replacement Benefit Arrangement (RBA) will provide payments through the employer to retirees who exceed the federal limits on their benefit amount. See previous issues of *TOPICS* for more information about this subject. Please make a copy of this Section and provide it to your chief financial officer or chief executive officer for review.
- ♦ **Final Six Months' Salary Report:** Insert the revised page 4 (section 7-3) into your *Employers' Manual*. The form was not revised but the example was. We apologize if the previous example caused any confusion.

▲ 1999 Employer Information Update Questionnaire: Recently, PERA employer representatives sent out a questionnaire to get updated information about the staff with your employer. If you received this survey and have not returned it, please do so promptly. It is essential that we have an updated list of who the PERA contacts are with your employer. We also ask that during the year, if any of the names change, please let your PERA employer representative know.

▲ 401(k) Matching by Employers: As we mentioned in the last *TOPICS*, there are currently 11 employers that match contributions by their employees in the 401(k) Plan. If your employer is considering adding matching to the 401(k) Plan as a benefit for your employees, send your plan to PERA before you implement it.

▲ Summer Life Insurance Premiums: Multiple premiums for PERA-sponsored life insurance through Rocky Mountain Life and/or Prudential should be taken from the last paycheck for those members who do not receive pay in the summer months. Premiums for all months that a member will not be included on the *Contribution Report* should be paid in advance, so that the insurance does not lapse. For example, if the last paycheck is in June and another will not be issued until September, then three premiums should be deducted to cover June, July, and August.

▲ Reminder About Leave of Absence: It is very important to complete a *Certification of Leave of Absence* form (8/1) on a member who leaves for a significant amount of time—preferably for one who is gone more than 30 days. Completing a *Certification Leave Of Absence* form ensures that a member's rights of membership are maintained. If the form is not completed, the member's account will become inactive when no contributions are received. This may restrict a member from receiving disability benefits or the member's survivors from receiving survivor benefits. The *Certification of Leave of Absence* form should have all information completed, most importantly the period in which the member will be on leave. If you do not know the date the leave will end, forecast one, but please do not use the current date. You may extend the leave if the member hasn't returned to work by the date you specified by filing another form and extending the end date.

▲ TOPICS 99-2 Correction: In the example on the page one story of the last issue of *TOPICS* about improvements in the PERA program, the monthly lifetime amount in the second example was inaccurate. The figure should have been \$825 per month at age 65, not \$720.

▲ Early Retirement Plans: PERA can serve your employees better when we know about early retirement plans or offers. We would greatly appreciate receiving a brief "heads-up" on retirement plans or offers you make to your employees to encourage them to retire. Also, we need to know the deadline you set on those plans. You may e-mail your employer representative or customerservice@copera.org with the information. When developing your plan, remember that it will result in many calls to PERA and will create a demand for estimates of retirement benefits and costs to purchase service credit. Generally, PERA sends out estimates within 10 days of a request. With many employees from two or three school districts requesting this information, it can put us in a "backlog" situation. Please try to give the employees enough time to obtain good information from us, and that means giving us ample time to prepare estimates, etc. We are also available to visit your work sites to talk about PERA benefits when you announce your early retirement plans.

▲ Employment Opportunities: We encourage you to let your friends who would like to work for a good employer know about PERA jobs. Go to the PERA web site (www.copera.org) for listings or call 303-832-9550 ext. 6413. If your personnel office would like to be on the mailing list for PERA job announcements, just drop a line to the PERA Human Resources Division, 1300 Logan Street, Denver, CO 80203.

▲ PERA Annual Rates of Return, etc: The investment performance consultant has reviewed PERA's financial and investment records for 1998 and determined that PERA's rate of return on investments for 1998 was 15.7 percent. The annualized return for the last five years is 14.7 percent, and, for the last 10 years, it is 13.2 percent. The amortization period for the unfunded liability at the end of December 1998 was one year for the Municipal Division and six years for the State and School Division. With the program changes as the result of SB99-90, the amortization period is now five years for the Municipal Division and nine years for the State and School Division. There is no unfunded liability in the Judicial Division.

PERA Questions

Q. Can an agency call PERA to find out if an employee has filed for a PERA disability?

A. Yes, employers can call the Customer Service Center and identify who they are. PERA will be able to advise you if you have any employee applying for either short-term disability payments or disability retirement benefits. PERA will notify your personnel offices in writing when an application for disability is approved.

Q. Does an employee receiving STD benefits earn service credit during that time?

A. No. Employees only receive PERA service credit for work performed. STD payments are made when the employee is not working and are not for services rendered. If an employee returns to work part-time as part of the return-to-work provisions of the STD plan, he or she would receive service credit for the period worked on the salary earned.