



# TOPICS

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## PERACare Program Moving Forward

PERA has been working to put together PERACare, a program designed to provide PERA-affiliated employers access to a statewide health benefits program. The key features of the program are choice of benefit plans, choice of provider networks, and efficient administration. The mission of PERACare is for PERA and its affiliated employers to work together to control the growth rate of health care costs and provide high quality care for public employees. The PERACare program will begin on January 1, 2001. Marketing of the program to employers will begin in April 2000.



### An employer who joins the PERACare Program will have the following advantages:

- ♦ The program will offer more choices in health care than most employers can get on their own.
- ♦ It will provide a way for public employers to outsource the administration of health benefits to PERA.
- ♦ Group purchasing may result in stability in cost.
- ♦ PERACare will offer a variety of medical, dental, and vision plans.
- ♦ Medical plans will include HMO, POS, and PPO plans offered by various insurance carriers.
- ♦ Dental plans will include dental HMO and PPO plans.
- ♦ Vision plans will include PPO and indemnity plans.
- ♦ PERACare is planned to be available throughout Colorado, but because the types of managed care plans available vary throughout the state, some areas may have more choices than other areas.

PERACare participation by an employer is voluntary. If an employer decides to participate in PERACare, all plans available in the regional area must be made available to all eligible PERA members. Although all medical, dental, and vision plans must be offered, the employee will not be required to select all three types of coverage. If a PERA employer decides not to participate, a member cannot participate in PERACare.

PERA will perform many of the administrative duties usually required of an employer, e.g., design of plans, negotiation with the insurance carriers, etc. PERACare benefits will be paid for jointly by the employer and its employees, according to the contribution strategy established by PERA, and with the advice of an Employer Advisory Group. The program will require an employer contribution of at least 50 percent of the cost of employee coverage for the lowest cost HMO available in the geographic region, but beyond that, the decision of how much the employer contributes to the employee's premium will be left to the employer to decide.

The cost of PERACare benefits will not be known until proposals are received from insurance carriers and negotiations are in process. PERA's goal is to have pricing available at the end of March. Because PERACare will include a number of different plan designs and a variety of HMO insurance carriers, it is expected that a range of costs will be available to choose from.

Due to the high interest level from employers, PERA is planning to hold small group meetings in various locations to discuss details of PERACare once the final program is established.

## PERAGraphs

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**▲ Purchasing Service Cost Reduced:** At its meeting in February, the Board of Trustees reduced the cost to purchase service credit for employment that was not covered by PERA. Here are the new costs: 20.4 percent of HAS for State Troopers/CBI agents, 20.0 percent for judges, and 15.5 percent for all other PERA members. A member can determine his or her approximate cost for a month of service credit by multiplying his or her Highest Average Salary by the percentage of cost. *For example:* HAS = \$3,000 x .155 = \$465 x 24 months = \$11,160. The change was effective on February 18 and does not have an ending date. The *Purchasing Service Credit* brochure is being revised. The Web site calculator for purchasing service credit has been updated.

**▲ Legal Names Please!** When completing the *Member Information Form*, employees should give their legal names—no nicknames, no maiden names, no abbreviations. The member should provide the same name that is on his or her Social Security card, as long as the Social Security card is current.

**△ PIN Access to PERA Member Account Information:** Members can now access information in their PERA accounts via the PERA Web site ([www.copera.org](http://www.copera.org)) with a Personal Identification Number (PIN). To request a PIN, call the PERA Customer Service Center at 1-800-759-7372 or 303-832-9550. Once a request is made, the PIN will be mailed within 7 to 10 business days.

**△ Updating Member Addresses:** We ask that employers help PERA keep addresses on employees updated. If we do not have a correct address for members, they do not receive important information from PERA, especially when they leave PERA employment and must make a decision about their PERA account. PERA is required by law to transfer abandoned member accounts (non-vested accounts that have not been claimed in five years) to the State's Unclaimed Property Fund. The total amount transferred in December 1999 was \$634,433. With the help of PERA staff and PERA employers, accounts totaling \$1,090,296 were found and claimed in 1999.

**△ Sick Leave, Annual Leave, Personal Leave, and Severance Pay:** Lump-sum payments of unused sick leave are not allowed to be included for salary for PERA purposes, according to state law. Lump-sum payments of annual leave must be included as salary, consequently employee and employer contributions must be taken on the payment, and the payment will be included in calculating Highest Average Salary if the member is retiring.

**But, what about personal leave?** A number of employers are combining annual leave and sick leave into personal leave or paid time off (PTO). PERA considers personal leave as falling within the scope of "annual or vacation leave" as long as there are no restrictions that would contradict this, e.g., you can only use it when you are unexpectedly out of the office.

Also, some employers have decided to convert sick leave to annual leave when a member leaves employment; sometimes this is on a one-to-one basis, but more frequently an employer converts four days of sick leave to one day of annual leave or uses some other formula. In these cases, contributions should be remitted on the lump-sum payment because this payment is no longer for "unused sick leave." However, when an employer develops the conversion or eligibility procedures, any connection to an early retirement incentive would make the payment inappropriate to be included in "salary for PERA purposes." In other words, if you create a program such as this, it will need to be ongoing and available to all who terminate employment, although you may have varying levels of conversion. For instance, if an employee worked for you for five years, you could decide to convert eight hours of sick leave to two hours of annual leave. For an employee who works for you for more than five years, you may decide to convert eight hours of sick leave to four hours of annual leave. If this employee is retiring, when PERA receives the *Final Six Months' Salary Report*, we will look at previous monthly salaries and use the amount paid as a lump sum to determine the amount of service credit to apply and the amount to include in Highest Average Salary. (Also, 401(k) contributions could be deducted on this PTO pay.)

**Severance pay:** If you pay employees severance pay, you should not be deducting PERA or 401(k) contributions on this amount. Unused annual leave payouts are not considered severance pay.

**△ Credits and Adjustments:** Please do not make any life insurance credits on your *Contribution Report* to PERA unless you have contacted your Employer Representative first. Likewise, do not make any adjustments to your *Contribution Report* or *401(k)* report if an employee has terminated unless you call PERA. Trying to take back contributions from a former employee who has already refunded his or her account cannot be done. If you find that you may have overcontributed for an employee who is leaving employment, call your Employer Representative immediately so a "hold" (or "prevent" in PERA terminology) can be put on a refund request that may come in from the member.

**△ Employer Training Sessions:** More than 400 staff from PERA-affiliated employers attended the 10 Employer Training Sessions. Also, PERA will be presenting the information at the April 5 State Payroll/Personnel User's Group meeting. Thank you for taking time from your busy schedules to spend the morning with PERA. The slide program used is on the PERA Web site under Employers/ Other Info and Links/ Presentation. Take a look!

**△ Annual Statements:** PERA sends out a member's *Annual Statement of Account* about 60 days after the end of the member's PERA anniversary month. *Example:* Member begins work on March 15. First statement will be sent to the member the following year around the end of May.

**△ Long-Term Care Program Delay:** Unfortunately, there have been some unexpected delays in rolling out the new benefits for the Long-Term Care Program for PERA members, retirees, and their family members. Information will be published after final arrangements have been made and will be sent to employers and those members who have requested information. We apologize for any inconvenience this delay may cause your employees.

**△ Record Retirements:** A record number of service retirements (3,619) were processed in 1999. In addition, 222 disability retirements were approved and 56 benefits were begun for survivors of deceased PERA members for a total of nearly 3,900 new benefits begun. Additionally, 259 short-term disability benefits were approved over the year and 17,260 refunds were paid to former members. 1999 certainly was a busy year for PERA staff who thank the payroll, personnel, and benefits staff of PERA employers for their support and efforts to provide the benefits to their employees.

**Board Election:** On July 1, 2000, Trustees' terms of office will end for Carole Wright, Aurora Public Schools 28J; Michael Morris, Boulder Valley Public Schools; and Jack Darnell, Colorado State Patrol. Three candidates will be elected Trustees, two from the School category and one from the state category in the State and School Division. PERA Trustees serve four-year terms and are not compensated for their work on the board, but do receive reimbursement for necessary expenses.

**Welcome to New PERA Members:** We welcome the following employers to the "PERA family:"

- ❖ Scientific & Cultural Facilities District, Denver
- ❖ Park Center Water District, Canon City
- ❖ Walker Field Public Airport Authority, Grand Junction
- ❖ Santa Fe Trail BOCES, La Junta
- ❖ San Luis Valley Water Conservancy District, Monte Vista
- ❖ Housing Authority of the City of Boulder
- ❖ Plains & Peaks Regional Library Services System, Colorado Springs
- ❖ Monument Sanitation District, Monument
- ❖ Three Rivers Regional Library Services System, Glenwood Springs

**Got E-mail?** PERA strongly encourages employers to arrange for e-mail and Internet access for payroll, personnel, and benefits staff who work with PERA. An increasing amount of our interaction will be via e-mail and the Internet system. PERA anticipates using e-mail to send employers news and instructions; using e-mail is more efficient, less expensive, and more expedient. Also, these staff members should be familiar with the PERA Web site so they may be able to direct employees on how to use it for gathering information and pre-retirement planning purposes.

**Revised Forms/Publications:**

- *PERA Retirement Process* (5/1 & 5/1A REV 12-99)
- *Certification of Previous Health Care Coverage* (2/109 REV 12-99)
- *Personal Identification Number (PIN) brochure* (5/50 REV 1-00)
- *PERA and Social Security* (5/36 REV 1-00)
- *Taxes on PERA Benefits* (2/91 REV 11-99)
- *Web Flyer* (5/90 REV 1-00)

**IRC 415 Limits for 2000:** IRC Section 415(m) imposes limits on the annual retirement benefit that PERA may pay a retiree from the Trust Fund. With recent changes in benefits and eligibility, the limits are impacting some members. As an example, the IRC limits the annual benefit paid by PERA to \$57,178 for a 50-year-old retiree. This amount 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. PERA has developed a Replacement Benefit Arrangement to make it possible for a retiree affected by the limit to receive the full amount of the benefit by receiving a portion of it from the employer. The arrangement must be agreed to by the employer, so the full benefit can be paid to the retiree. If you have employees that may be affected by this limit, contact PERA's Internal Audit Office.

**IRS 403(b) Audits:** We continue to hear that the IRS is going to be auditing more school employers to ensure that there are not excess contributions to 403(b) plans. What might cause an employee to have excess contributions? One answer is that the percent of pay going to the tax-deferred plan must be based on salary minus PERA contributions. If the 8 percent member contributions are not deducted from the salary before the calculation is made, the employee may exceed what the IRS allows to be tax-deferred.


**Contribution Cap:** The maximum salary subject to pension contributions in accordance with IRC Section 401(a)17 for individuals hired after January 1, 1996, has increased to \$170,000 for the year 2000. As a result, employers should discontinue submitting contributions to PERA on any member's PERA-includable salary once it reaches \$170,000 in a year if that member began PERA membership after the above date. PERA Employer Representatives will contact 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. There are no restrictions on employees who were hired before January 1, 1996.


**Worker Classifications Being Reviewed by IRS:** A warning to all employers: The IRS has stated that it is going to be evaluating whether "independent contractors" working for government employers are truly that, or are they employees in disguise? You should ensure that anyone you have on contract as an "independent contractor" fulfills all of the IRS requirements; see Section 1-4, pages 3-6 of the *PERA Employer Manual*. Those who are independent contractors must file both the employer and the employees' taxes for Social Security for their "self-employment." They also must pay the Medicare tax for the employer and the employee.

**401(k) Plan Changes to Note:** Several changes are taking place with the 401(k) Plan. On April 24, the Plan will go to daily valuation from the current monthly valuation cycle. Also, new Web site secure pages in [www.copera.org](http://www.copera.org) will allow a member to view his or her account and to make changes such as transferring funds from one account to another and changing how contributions are invested. To facilitate the change, there is a blackout or transition period beginning March 1. While there are some limitations during this period, employers may continue to begin deductions for new 401(k) participants and


may make contribution amount changes for their employees. The following four new funds are being added to the Plan: Janus Fund, Janus Enterprise Fund, Vanguard S&P 500 Index Fund, and MAS Mid-Cap Value Fund. Want to tell your employees about the 401(k) Plan? Call us for a meeting or use our direct mail brochures to distribute.

### PERAGraphs

 <b>401(k) Fourth Quarter Returns:</b>	<b>1999 4rd Qtr</b>	<b>Last 12 Months</b>	<b>5-Year Annual Average</b>
Money Market Fund	1.44%	5.30%	5.32%
Short-Term Bond Fund	1.04%	2.97%	7.13%
Long-Term Bond Fund	0.07%	(0.27)%	8.62%
Balanced Fund	4.69%	12.05%	16.26%
Growth & Income Stock Fund	21.88%	38.72%	29.53%
Growth Stock Fund	17.47%	25.02%	27.22%
International Stock Fund	29.09%	56.99%	21.54%

 **PERA Defined Contribution Match Programming:** PERA employers should be planning now for the PERA match to voluntary contributions by members to 401(k), 403(b), and 457 plans. At this point, staff is reasonably confident that all divisions will be fully funded and will be able to provide a match, given any unforeseen circumstances.

- ◆ Step one for employers is to talk to their information systems staff or consultant about the program. Give them copies of information in the past two issues of *TOPICS* and in the *Member Report*. You may also want to refer them to the PERA Web site for information. At the request of a number of employers, PERA is anticipating holding several meetings around the state in May for information systems staff to learn first hand how the program will work. Here is some information that will assist you in preparing the IS staff:
  - The match will be 100 percent of a whole percent of pay amount up to a maximum dollar amount. The percent of pay and the maximum will be announced during August 2000. *For example*, PERA may match 2 percent of pay in contributions up to \$1,200.
  - The employer will be required to report to PERA on a contribution report the voluntary contributions to an eligible DC plan by a member and the dollar matched for that member. Also, the amount of the total voluntary contributions sent to all DC plans will be part of the *Contribution Summary Report* sent to PERA each month and the total dollar amount matched will be deducted from the employer contribution amount.
  - Annually, the employer will be required to send to PERA the names of all defined contribution vendors that received any of the match dollars.

 **State's Commuter Choice Program:** The State has announced a new Commuter Choice Program that complies with the Federal Transportation Equity Act for the 21st Century. The program allows participating state employees to have the cost of their rapid transit passes and qualifying monthly parking fees deducted from their gross income and thereby reduce their federal, state, and Medicare taxes. Consequently, it also reduces the salary used for PERA purposes. Contributions will not be remitted on the amounts under this program. The program is strictly voluntary. State employers should make sure they read and understand the information from the State Controller on this subject, dated December 30, 1999. By participating in the program, an employee could end up reducing what he or she receives as a refund from PERA, as a disability benefit from PERA, as a match to voluntary payments to a Defined Contribution Plan, and/or as a retirement benefit. The terms and ramifications of the program are similar in many ways to those of a Section 125 plan.

### Question and Answer

**Q. May my employer match 401(k) contributions for just a few employees or does it have to match for all employees?**

**A.** The 401(k) Plan Document permits an employer to make “discretionary” matching contributions to employee 401(k) plans for all, some, or only one of its employees. This can be a lump sum for the year or periodic payments. The “discretionary” amount and the employee’s contributions can be up to \$30,000 per year or up to 25 percent of taxable income limit. Also, a regular employer match on contributions does not reduce the maximum dollar amount allowed by a member directly, however, the match might cause an employee to reduce his or her contributions, if the combination of employer match and employee contributions exceeded the 25 percent of taxable income.

**Q. Can an employee leaving PERA-covered employment roll over the PERA account into the 401(k) Plan?**

**A.** Yes, a member may set up a PERA 401(k) account prior to a refund being issued for the sole purpose of receiving the

Visit the PERA Web site at [www.copera.org](http://www.copera.org)—it includes past issues of *TOPICS* in the Employer Section.

PERA member contribution account. In fact, we would encourage members to do that to keep the money dedicated for