



TOPICS

OFFICIAL BULLETIN FOR PERA-AFFILIATED PAYROLL/PERSONNEL STAFF

No. 00-2

Summary of Legislation Affecting PERA

HOUSE BILL 1222—WORKING AFTER RETIREMENT: This bill (passed by both Houses of the General Assembly and awaiting the Governor's signature) allows a school district to declare a critical shortage in unlicensed positions (custodians, bus drivers, cooks, etc.). PERA retirees would be able to work in those positions beyond the 110 days allowed by law currently with no penalty to their PERA benefit. To declare a critical shortage, a school district would have to: (1) post the vacancy for the classified position for at least a month, (2) solicit applications through local newspapers, and (3) determine that there is an insufficient number of eligible applicants for the classified school positions. As soon as a critical shortage is declared, employer contributions to PERA would begin on salary paid to all retirees in unlicensed positions; no member contributions will be made on the retiree's salary. A school district may declare a critical shortage for only one year at a time (renewable if a critical shortage still exists at the end of the year, but this whole statute expires 7/1/2003).

Additionally, the bill includes a provision that no member may return to work for any PERA-affiliated employer during the month in which he or she retires, e.g., member retires effective July 1; he or she may not work for any PERA employer in any capacity until August 1.

HOUSE BILL 1458—PERA Benefit Changes: Sponsors were Rep. Dean (C.S.) and Sen. Owen (Greeley). The Governor's office and PERA worked together to structure a plan to ensure PERA's financial soundness, yet provide opportunities for earlier retirement. The bill was approved 64-1 by the House and 35-0 by the Senate; the Governor is expected to sign the bill. The bill, once signed, becomes effective on July 1, 2000, except that the Modified Rule of 80 provisions will be effective for retirements on or after June 1, 2000.

◆ **Modified Rule of 80:** A retirement provision for members ages 55-65 who retire on or after June 1, 2000, that allows unreduced service retirement benefits when the member's age plus service equals 80 or more. When changing what constitutes unreduced retirement, benefit percentages change for some age/service combinations since retirement eligibility may come sooner than is now possible.

Example 1: Member is age 56 with 24 years of service. Current benefit is 52.8% of HAS, a reduction of 3% for each year before retirement eligibility (age 60 with more than 20 years). The new benefit is 60.0% (24 x 2.5%).

Example 2: Member is age 55 with 20 years of service. Current benefit is 42.5% of HAS, a reduction of 3% per year before retirement eligibility (age 60). The new benefit is 46.25% because the individual would now be eligible for unreduced retirement benefits at age 57.5 with 22.5 years (80) and is only 2.5 years away from service retirement.

◆ **Employer contribution reductions:** The employer contribution rate in the State and School Division will be reduced by 1.0 percent of salary to 10.4 percent and in the Judicial Division to 14 percent of salary, beginning July 1, 2000, instead of January 1, 2001, as under current law. Also, 20 percent of any overfunding that occurs in PERA would go toward further employer contribution reductions beginning July 1, 2001. In the year beginning July 1, 2001, the reduction will be at least another 0.5 percent (9.9 percent of salary maximum State and School employer rate). Beginning July 1, 2002, the State and School Division rate would be a maximum of 10.15 percent of salary.

Employers should reduce their contribution rate for any pay issued on or after July 1, 2000. If payday is on June 30, the employer should use the current contribution rate. Municipal Division employers will have a rate reduction on January 1, 2001; PERA will advise Municipal Division employers of the amount by September 1, 2000.

◆ **Overfunding of PERA:** If PERA becomes "overfunded," the legislation allocates 30 percent of any overfunding to the Health Care Trust Fund to support future increases in the health care premium subsidy for PERA retirees, when approved by legislation. Also, 20 percent of the overfunding will be returned to the employer as a rate reduction and the remaining 50 percent will be used for the PERA MatchMaker program.

◆ **Annual increase at 3.5 percent:** Beginning March 2001, the annual increase for PERA benefits will be 3.5 percent compounded annually and will no longer be tied to the Consumer Price Index. Under current law, the increase is the lower of actual inflation or a cumulative annual rate of 3.5 percent since retirement.

◆ **Allow sick leave to be converted to salary:** Sick leave can be converted to salary for PERA purposes between July 1, 2000, and July 1, 2005. This provision includes the following:

- 1 Conversion is allowed for state classified and exempt employees hired before July 1, 1988, who are eligible for PERA retirement. The law allows higher education governing boards to offer this provision to their exempt faculty and administrators who are PERA members and to other PERA-affiliated employers to adopt this provision for similarly situated employees.

House Bill 1458 continued

- 1 Employees must have more than 360 hours of sick leave accumulated (or 45 days if the employee accrues sick leave by days).
- 1 Conversion is paid at the rate of 15 percent of the hours they convert or 15 percent of the per diem rate when using days. Sick leave value above the 15 percent is forfeited by the employee.
- 1 A state employee eligible for the conversion provision may elect once each fiscal year to convert any portion or all of the sick leave that exceeds 360 hours as of the beginning of the fiscal year (July 1, 2000, or any fiscal year after this date through July 1, 2004) into salary. For employees of employers other than the State, the amount allowed to be converted into salary shall be based on employee leave balances as of December 31, 1999, or the end of the previous fiscal year, whichever is earlier.
- 1 When an employee makes an election to convert sick leave to salary, he or she has the discretion of receiving this pay as a lump-sum payment in the next paycheck or distributed during the remainder of the fiscal year.
- 1 If the employee converts a portion of the days/hours, the remaining amount is available for conversion in a subsequent fiscal year; no days/hours can be added to that balance.
- 1 Any remaining days/hours after the conversion is completed can be paid as a lump-sum payment in any manner the employer has in place and would not be included in salary for PERA purposes.
- 1 Employees must convert the sick leave before retirement. The sick leave conversion provisions cannot apply to June 1, 2000, and earlier retirements. The conversion cannot apply to a member who retires on July 1 and receives no further regular pay since all pay is completed on June 30, 2000. The conversion can apply to July 1 retirements only if the contract year has not been completed, e.g. teachers who retire on July 1 who receive a paycheck at the end of July from the school district can have the sick leave conversion payments added to that paycheck.
- 1 Any amount paid as salary is counted as salary for purposes of PERA contributions and benefits and must be included on the employer contribution report and, if the member is retiring, on the *Final Six Months Salary Report* shall not be counted in the employee's base salary for the purpose of determining salary adjustments in succeeding years.
- 1 It is up to each school and municipal employer to decide whether to offer this provision. Once the bill is law, PERA can provide estimates based upon salary increases that are paid. The member will need to provide PERA with the salary increase information which may not necessarily equate to a 15 percent salary increase (see calculations below).
- 1 PERA will not be reviewing sick leave accruals for members and advising them on how much to take as salary or when—that is between the employer and the member.
- 1 The bill says an employee can use a portion of his or her excess sick leave each fiscal year; this would make it possible for the employee not to exceed the 15 percent cap for salaries received during the three years used for HAS.

Examples Of Sick Leave Conversion:

860 hours of sick leave	120 days of sick leave
Minus 360 hours = 500 hours	Minus 45 days = 75 days
× \$22 per hour pay = \$11,000	× \$175 per day = \$13,125
× 15% = \$1,650	× 15% = \$1,968.75
<u>PERA Benefit Result</u>	<u>PERA Benefit Result</u>
\$1,650 included in HAS	\$1,968.75 included in HAS
Divide by 36 = \$45.83	Divide by 36 = \$54.69
If 75% benefit = \$34.37 per month	If 75% benefit = \$41.02 per month

SENATE BILL 76—CHANGES IN THE STATE 401(A) DEFINED CONTRIBUTION (DC) PLAN: This bill would have allowed school superintendents, judges, and district attorneys to opt out of PERA and join a defined contribution plan operated by the State in lieu of PERA. The DC plan was established two years ago after legislation allowed legislators and key state elected and appointed officials to opt out of PERA due to the nature of their political positions. PERA opposed the bill. The bill was approved by the Senate, but was killed in the House Appropriations Committee.

OTHER CHANGES

COST TO PURCHASE SERVICE CREDIT: A separate component of the negotiations between PERA and the Owens Administration was the reduction in the cost to purchase service. The PERA Board of Trustees, as part of its program to facilitate earlier retirement, lowered the cost to purchase service credit to 15.5 percent of Highest Average Salary (HAS), for most PERA members (20.4 percent for State Troopers and CBI agents and 20.0 percent for Judges), effective February 18, 2000. This change did not take legislation.

For updated information on legislation affecting PERA, call 1-800-759-7372 extension 6627.

PERAGraphs

Death of a Member: We encourage employers to let PERA know when a member dies. There have been times when PERA learned of a death several weeks or even months after a member's death. A phone call to the Customer Service Center will alert us to the death and allow us to begin the process of refunding the account or setting up a monthly benefit for the deceased member's survivors.

Outdated Forms: PERA has been receiving outdated forms lately, and many of them lack the necessary information we need to complete the processing of the form. Most forms are updated at least once a year; each issue of *TOPICS* contains a list of revised forms. If you have forms previous to 1999, most likely they have been revised. Call the Customer Service Center if you want to check on the revision date of a form and order the current version if it has been revised, or go to the PERA Web site and visit the "Forms/Publications" section.

Timely Customer Service: There are times when forms returned to PERA by employers (*Final Six Months' Salary Reports, Member Information Forms, Refund Requests* and others) are not legible or have incorrect information. A PERA employee then has to contact the employer, causing a delay in the processing. Please help us and your employees by checking the information for accuracy and legibility prior to sending the form.

Paycheck Stuffers: Inserts to paycheck envelopes are a popular way for employers to help employees better understand their PERA benefits. Employers who want to use these stuffers may order them by calling the Customer Service Center or your PERA Employer Representative. Be sure to tell us which inserts you want, the quantity, and the deadline for getting them to you. Mini-versions of the stuffers are included in this mailing; the actual size of each is 8.5 X 3.5.

Disability Notifications: When an application for the PERA disability program is received at PERA, staff from the Customer Service Center review the application to ensure that the applicant is eligible for the program. Within 24 hours, a letter of eligibility or non-eligibility is sent to the member; also, if the member is eligible, the application is transmitted to Standard Insurance Company and a copy of the letter of eligibility is sent to the respective employer's personnel office. Likewise, when PERA receives information from Standard that the member has been approved or disapproved for benefits, a letter is sent to the employer again to keep the personnel staff informed. If you suspect that an employee has applied or been approved for disability and have not received a notice from PERA, please call PERA's Customer Service Center and ask to speak to one of the disability team members. Large employers may want to alert all employees who work in the human resources and benefits areas, and in your mailroom, who specifically should receive the letter since it is currently addressed to the "Personnel Office." Large employers may give PERA the name of a specific employee who would receive the notice.

PERA MatchMaker: The program to match voluntary contributions to defined contribution plans (403(b), 401(k), and 457 plans), which is expected to start in January 2001, will be named: "The PERA MatchMaker," with the tag line: "Multiply Your Money." This name was chosen since PERA is making the match happen—PERA initiated the legislation and is reducing the employer contributions it would otherwise receive to make it possible for the match to occur. Meeting information to prepare for the MatchMaker program is included in this mailing.

Our Survey Says: The PERA Tax-Deferred Participation Plan Survey to determine the number of PERA members participating in tax-deferred investment plans concluded that about 31 percent of the membership already contribute to a 401(k), 457, or 403(b) plan. With the PERA MatchMaker starting in January 2001, a 70 to 80 percent participation rate in tax-deferred plans is expected, based on statistics from other states that have instituted similar programs.

New PERA Member Kits: When a new employee is hired and a *Member Information Form* is received by PERA, a *New PERA Member Kit* is sent to the member. As the employer, if you would like to distribute these kits to your new hires, rather than have them sent by PERA, contact PERA's Customer Service Center to have your employer's name removed from the program. You will need to order the *New Member Kits* through your PERA Employer Representative or the Customer Service Center. You may also e-mail Customer Service at customerservice@copera.org.

Purchasing Service Credit and Social Security: If members are planning to purchase service credit and are going to be eligible for a retirement benefit from Social Security through a spouse, it is recommended that the member purchase service credit from time worked under Social Security. The benefit reduction formula used by Social Security would consider only the benefit amount for time worked under PERA, not the higher benefit received for time purchased.

Thank You: To all who attended the employer meetings held in February. A total of 473 personnel, payroll, and other staff attended the 11 employer meetings held across the state.


Found: A silver earring was found at the employer meeting held on February 28 at the Best Western Hotel at I-70 & I-25. Contact Tina Cordova at 303-832-9550 ext. 6116, to claim it.

Trustee Election Being Held in May: Two positions are open in the School category and one in the State category to serve as a PERA Trustee. Ballots were mailed the first week of May to all State and School members who were on a *Contribution Report* on January 31. Members who joined PERA since then or who were temporarily not working that month may vote in the election, but must request a ballot by sending a request to PERA's Deputy Executive Director for Support

Services, 1300 Logan Street, Denver CO 80203. In your request, include your full name, Social Security number, mailing address, name of employer, and signature. If the member works for more than one employer in two different divisions, he or she must request the division in which he or she wishes to vote. The deadline for the return of the ballots is May 31. Please publicize the election via your e-mail or other communication devices and encourage members to vote.

 **Revised Forms/Publications:**

- 1 *All 401(k) forms have been revised for daily valuation*
- 1 *Information for New PERA Members (5/57 REV 3-00)*
- 1 *Purchasing Service Credit (5/52 REV 4-00)*
- 1 *PERA & Section 125 (5/46 REV 3-00)*
- 1 *Leaving PERA-Covered Employment (5/11 REV 2-00)*
- 1 *Final Six Months' Salary Report (8/301 REV 5-00)*

 **PERA's 401(k) Plan:** PERA's 401(k) Plan document specifically requires that the Plan Administrator review and approve employer contributions to the Plan. If you are an employer interested in matching your employees' 401(k) contributions or providing a discretionary match for a certain employee or group of employees, please send a detailed description of the proposal addressed to Linda Fishel, 401(k) Team Leader, at PERA or e-mail lfishel@copera.org.

Following receipt of the proposal, a confirmation letter is sent reiterating that the employer contributions are immediately 100 percent vested, a copy of the Plan Document, and an enrollment packet are included. If you are interested in having a representative meet with your employees about PERA's 401(k) Plan, contact Dennis Gatlin at 303-832-9550 ext. 6188 or e-mail dgatlin@copera.org.

 **401(k) First Quarter Returns:**

	2000 1st Qtr.	Last 12 Months	5-Year Annual Average
PERA Money Market Fund	1.46%	5.52%	5.63%
PIMCO Low Duration Fund	1.34%	3.53%	6.91%
PIMCO Total Return Fund	2.19%	2.33%	8.00%
Dodge & Cox Balanced Fund	1.21%	10.34%	14.79%
PERA 401(k) Growth & Income Stock Fund	5.98%	38.46%	28.67%
NEW Vanguard S&P 500 Index Fund	2.26%	18.02%	26.85%
NEW Janus Fund	10.44%	45.93%	32.02%
Fidelity Contrafund	5.60%	24.87%	27.08%
NEW MAS Mid Cap Value Fund	9.20%	35.90%	29.00%
NEW Janus Enterprise Fund	11.57%	113.15%	38.96%
American Funds EuroPacific Growth Fund	4.57%	54.30%	22.91%



PERA is continuing to develop PERACare, the new health benefits program for employers to offer to their employees. After the bids from the various carriers were received, the PERA staff began negotiating with the carriers on benefits, service areas, and premiums. Here is a brief update:

- 1 Five carriers are working with PERA to begin the program; all carriers do not operate in all areas of the state. At this point, some counties do not have a carrier for the active employee part of the program.
- 1 Cigna Dental HMO and United Concordia Dental PPO will each provide two dental plans.
- 1 VSP and Cole will each provide two vision plans.
- 1 Premiums will be uniform for all employers in a geographic area that have less than 250 employees. Premiums will be provided on the experience of employers with 250 employees or more. All carriers have agreed with PERACare to work toward a common premium for all employers in the program in a geographic area by the third year of PERACare's operation.
- 1 Employers can affiliate with PERACare beginning on January 1 or July 1.
- 1 Employers intending to affiliate with PERACare for coverage beginning January 1, 2001, will need to sign a letter of intent by September 1, 2000.
- 1 Employers wanting a packet of information with an application form to obtain the premium quotes or wanting to have a PERACare representative visit with them should e-mail peracare@copera.org or call us at 1-877-PERA-900.

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