



TOPICS

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PERA Fully Funded; Contribution Rates Reduced, PERA MatchMaker To Begin

Representatives of PERA's actuarial consulting firm, Watson Wyatt, advised the PERA Board of Trustees in May that all three division trust funds are "fully funded." This news allows PERA to implement the provisions of SB 99-90 and HB 00-1458, i.e., begin the PERA MatchMaker effective in January 2001 and reduce the contribution rates for employers.

Contribution Reductions

- 1 State and School Division employers, effective with the July 2000 PERA contribution report (that's the one that's sent to PERA in August), will have a permanent reduction in their contributions to PERA by 1 percent of pay, from 11.4 percent to 10.4 percent. This constitutes a 10 percent overall cut in PERA employer contributions. Also, the Judicial Division has a permanent 1 percent of pay reduction in its contribution rate from 15 percent to 14 percent of pay. (The Judicial Division in PERA covers 252 state, district, county, and probate judges.)
- 1 Municipal Division employers, effective with the January 2001 PERA contribution report, will have a one-year temporary reduction of 0.57 percent of pay from 10.0 percent to 9.43 percent.

Employers should consider this their official notification to reduce rates for any payroll period that ends in the effective month. For example, a State, School or Judicial employer who pays employees on July 3 for a pay period that ended in June would not be eligible to take the contribution reduction on that pay. However, an employer whose biweekly pay period ends on July 7 who pays those employees on July 14 would be able to take advantage of the new contribution rate for that payroll period.

PERA MatchMaker

With PERA's full funding, the PERA MatchMaker program will begin in January 2001. Under the program, a portion of the employer contributions normally sent to PERA (above those reductions explained above) will be used to match the voluntary contributions of PERA members to an authorized or sponsored defined contribution plan, i.e., PERA's 401(k) Plan or a 457, 403(b), or 401(a) plan. (The term MatchMaker is being used for this program because PERA is "making the match happen" by reducing the employer contributions it receives.)

The Board of Trustees will decide the amount of the match before the statutory deadline of September 1. The Board previously approved the following formula for the match:

A match of 100 percent of the voluntary contributions a member makes to a defined contribution plan up to a whole percent of pay up to a maximum annual dollar amount.

Here are some points to communicate to your employees about the MatchMaker:

- 1 There may be years in which a match may not occur. The amount of money available for the match will be determined each year by the actuary based on the funding level of the PERA division trust funds. The Board will determine the percent of pay to be matched and the maximum annual dollar limit each year.
- 1 The members of the three divisions in PERA may have different match amounts because of the actuarial condition of each fund and the different employer contribution rates for each fund.
- 1 If the employee is not paid in a pay period, no match can be made in that period.
- 1 Any PERA member—temporary, seasonal, part-time, etc.—may receive the match, and only PERA members are eligible for the match.
- 1 Employees must have a deduction from their own pay to a defined contribution plan to receive the match. If they do not participate, the amount that would have been available for a match is sent to the PERA trust fund as it is now.
- 1 An employer may not specify which DC plan may receive the match amount.
- 1 All PERA members are eligible to join the 401(k) Plan.
- 1 Match amounts will be paid each pay period by the employer; there will be no retroactive "catch-up" nor "prospective" match allowed. In other words, if the match maximum dollar amount is \$1,200, an employee is not able to obtain the entire amount in the first month. If an employee doesn't enroll in a DC plan until mid-year, he or she may not be given the match for previous months. The formula must be used, e.g., 2 percent of pay for each pay period.
- 1 Employers will be required to include the match dollar amount and the total DC contribution for each employee for each pay period on the PERA contribution report.
- 1 Employers should use the term "The PERA MatchMaker" when referring to this specific match since there are other types of matches that employers make and there is a "matching amount" on refunds of PERA accounts.

Sick Leave Conversion Reminders:

Here are some points to remember about the provisions in HB-1458 that approved conversion of sick leave to PERA salary. See the last issue of TOPICS or the PERA Web site (www.copera.org, under "Latest News") for more information.

- a. **For non-state employers, the sick leave amount that may be converted to salary is the balance on December 31, 1999, or the end of the preceding fiscal year, whichever is earlier. Consequently, most school districts that adopt this conversion program may convert to salary sick leave balances as of June 30, 1999** (minus 360 hours/45 days).
- b. The member may choose to receive the conversion payment in a lump sum in the next regular paycheck or have it distributed over the remaining months of the fiscal year.
- c. A member must be eligible for service retirement (including reduced retirement) to convert sick leave to PERA salary. For instance, if an employee has 30 years of service but is not 50 years of age on the last day on the job, he or she cannot take advantage of the program. In that case, the employee would probably want to work until retirement eligibility so he or she could convert sick leave.
- d. Include the payment in the "Extra Pay" column of the *Final Six Months' Salary Report* and make comments about the calculation in the explanation section.
- e. When an employee accepts the conversion, he or she forfeits any pay for the hours or days beyond the 15 percent payment. However, the 45 days or 360 hours and any accrued sick leave not converted can be paid in any manner decided upon by the employer since it is not salary for PERA purposes.
- f. An employee trying to calculate how much accrued sick leave to convert so as not to go over the maximum 15 percent per year increase in Highest Average Salary should realize that any vacation or personal leave paid out is salary for PERA purposes also and for which service credit is given. Since PERA uses the three highest 12 consecutive month periods to determine HAS, this service credit is included in one of those periods. So, a 12-month period may include two months of personal leave and 10 months of regular pay in the last 12-month period.
- g. PERA cannot refund contributions on conversion amounts that are not used in the HAS calculation because the salary exceeds the 15 percent maximum increase.

Working After Retirement Limits Re-explained

Governor Owens signed HB-1222 on June 2, 2000. The law has these two main features:

- a. School districts may declare a critical shortage of non-licensed employees and allow PERA retirees to work for an unlimited period of time in those positions without a reduction in PERA benefits.
 - 1 The critical shortage may be declared for a one-year period after posting the vacancy for a non-licensed position for at least one month and soliciting applications through local newspapers.
 - 1 The law requires the district to pass a critical shortage resolution after it has determined that there is an insufficient number of eligible applicants for the non-licensed positions and to notify PERA of the resolution. (Please fax the resolution to your Employer Representative at 303-863-3813.)
 - 1 The law requires employers to commence making employer contributions on salary paid to service retirees who are employed as non-licensed employees (when the critical shortage begins—not when the retiree goes over the 110-day limit). PERA will provide guidance on reporting those contributions, when it receives a resolution.
- b. **Any member retiring on or after July 1, 2000, may not be employed in any capacity, including positions not subject to PERA membership, by any PERA-affiliated employer during the month of his or her effective date of retirement.**

Example: If the employee's last day of work is June 25, the PERA effective date of retirement is July 1. The employee cannot be employed in any capacity or in any position for any PERA employer during July.

IRC Section 415 Limits For 2000 Listed

Here are the maximum benefit amounts that PERA can pay to a member retiring at the ages shown, pursuant to Internal Revenue Code Section 415. This is the maximum annual payment amount, regardless of whether it is an Option 1, 2, or 3 benefit. These limits are modified by PERA tax-paid contributions or tax-paid purchases of service credit. Employees who think their initial benefits may be near these amounts should request a benefit estimate from PERA. The values change annually. PERA has developed a Replacement Benefit Arrangement (RBA) that may be adopted by PERA employers. The RBA allows the employer to pay retirees the amount over the limit so the retiree receives the full PERA benefit expected. PERA then reimburses the employer.

Age 50	\$57,178	Age 54	\$74,653	Age 58	\$99,223	Age 62-65	\$135,000
Age 50	\$61,032	Age 55	\$80,008	Age 59	\$106,900	Age 66	\$147,441
Age 52	\$65,206	Age 56	\$85,848	Age 60	\$115,351	Age 67	\$161,441
Age 53	\$69,733	Age 57	\$92,231	Age 61	\$124,677	Age 68	\$177,256

401(k) Plan Transfers and Redirection of Contributions: Please advise your employees to use the Web site or call the 401(k) InfoExpress interactive phone system to make these changes. PERA is no longer accepting change requests that are submitted on a paper form. **Please do not give employees old 401(k) enrollment or change forms to use.**