



TOPICS

OFFICIAL BULLETIN FOR PERA-AFFILIATED PAYROLL/PERSONNEL STAFF

No. 01-1

MATCHMAKER PROGRAM BEGINS

The meetings and vendor fairs are finished for the most part, and hundreds of questions have been answered. The enrollment forms are rolling in to PERA for the 401(k) Plan—more than 7,000 in the last two months—and we are told 457 and 403(b) plan vendors have had similar increases. Information about changes in the contribution reporting to PERA and the 401(k) Plan has been sent to all employers.

PERA thanks everyone for their special efforts in helping to communicate and implement this new benefit. We appreciate all the time and expense that went into making the changes and informing your employees. Certainly, your employees appreciate this as well. The PERA MatchMaker program enhances what is one of the best retirement programs in the country. We hope that you can use PERA and the MatchMaker as recruiting tools for new employees.

Here are some final questions with answers that we want to pass along (some repeats from previous TOPICS since some questions are still being asked).

- 1. I know the match applies to January 2001 payrolls, but I have employees who will work in December, submit their time sheets the first week of January, and get paid January 15. Will the match be applied for contributions by those employees?**

No. The MatchMaker begins with the first pay period that ends in January 2001. The MatchMaker should not be applied to these contributions. For example, if the pay period ends December 31, the MatchMaker does not apply, even if the time sheets are submitted in January. But, if the pay period begins in December and extends to January 5, 2001, participating employees would receive the match on contributions for that pay period.

- 2. I'm calculating back-pay due to some employees for 1997 through 1999. Their pay will actually be paid in April 2001, after the MatchMaker begins. Some employees have requested that their money be deposited into their 401(k) account (observing the IRS \$10,500 limit, of course). Since the employees will receive their money in April 2001, will they be eligible for the MatchMaker dollars?**

No, the MatchMaker Program only applies to payroll earned in periods that have an ending date on or after 1/1/2001. In this case, the back-pay is for payroll periods prior to the 1/1/2001 implementation date so the match should not be applied.

- 3. Why did PERA decide to begin implementation in January 2001?**

There are several reasons for the January 2001 implementation date:

- ◆ Legislative intent indicates that the match is to apply to January 2001 payrolls.
- ◆ Applying the match based on the payroll month will be consistent with the procedures for contribution rate changes to PERA. In both cases changes are based on payroll month, not the month in which the employer issues the pay. This consistency should help employers administer the match.
- ◆ Members within each division will be treated equitably.

- 4. Is there a special PERA form to enroll in the MatchMaker program?**

No.

- 5. Where can I find MatchMaker implementation information?**

Payroll offices should have received information in September and October. One mailing included a MatchMaker Basic Implementation Example, while another in late October provided the *Contribution Report Summary* forms and other information. If you do not have that information, you may also find the information in the Employers' section of the PERA Web site: www.copera.org. Please contact your PERA Employer Representative if you have questions on how to do the reporting.

Visit the PERA Web Site at www.copera.org—it includes past issues of *TOPICS* in the Employer Section.

6. We are planning to allow people to enroll in a tax-deferred plan or to change their tax-deferred contribution amount twice a year. Is that okay?

No. PERA believes that state law establishing the 401(k) Plan provides employees the right to enroll in the plan at any time. PERA Rules state that changes in the amount of contributions that the employee makes to the 401(k) Plan may be made monthly. Consequently, while you may be able to limit enrollment and change times for 403(b) and 457 plans, it is not permissible to restrict them for PERA's 401(k) Plan.

7. We offer our employees three tax-deferred plans—401(k), 457, and 403(b)—all of which qualify for the MatchMaker program. Can an employer decide which plan receives the MatchMaker funds or does the employee have the option of choosing?

An employer has the option of designating that the MatchMaker dollars must go to one plan only, however, it is the employee's decision in which plan he or she wants to invest the MatchMaker dollars. Of course, the employee would need to contribute the maximum match percentage to that plan to receive the full match. (For State of Colorado employers, a form is being prepared for employees to designate the plan.) Many school districts have already developed their own forms.

8. Can MatchMaker dollars be used to purchase service credit?

Yes. Any money deposited through the MatchMaker program is immediately 100 percent vested to the individual. Those dollars can be used to purchase service credit if they are deposited in a 401(k) or 401(a) plan. (The State of Colorado received legislative approval to set up a 401(a) plan to receive the MatchMaker dollars that are matching contributions to its 457 plan.)

9. What is the status of the federal law change that will allow members to use 403(b) and 457 dollars to purchase PERA service?

The legislation was passed by Congress in October, but not as a stand-alone bill. It was part of other legislation that the President opposed. Congress did not send the legislation to the President, hoping to negotiate after the presidential election. No action has taken place, though this may happen in the early part of 2001. If it looks like any change will occur, we will advise employers and members.

10. If an employee contributes the maximum deferral amount in the first six months of the year, will the member receive the match for salary in the last six months of the year?

No. The MatchMaker is based on salary paid each payday by each employer. An employee should contribute at least enough to receive the full match every payday.

11. Are part-time and temporary employees eligible to receive the MatchMaker?

Yes, any employee who is contributing to PERA and to a tax-deferred plan is eligible for the MatchMaker, even if that employee is short-term. PERA retirees who are returning to work under the "working after retirement" rules are not eligible for the MatchMaker since there are no employer or member contributions being made on their salaries.

12. Is there a maximum dollar amount for the MatchMaker?

No, while state law allows the Trustees to set a dollar cap for the MatchMaker program, none was set this year. Separately, the tax code does set limits for yearly tax-deferrals. The total employee and employer contributions to the 401(k) Plan cannot exceed 25 percent of the sum of PERA-includable salary plus Section 125 plan deductions minus PERA member contributions. As a result, some employees may have to reduce their contributions to comply with IRS rules. For instance, an employee with pay of \$50,000 would not be able to contribute the full \$10,500 into the 401(k) Plan as they could this year, since the employer match through the MatchMaker will be \$1,500. PERA has a calculator on the Web site that will help those in the 401(k) Plan ensure that they are not exceeding the limits.

13. Are 401(k) and other DC plan deductions allowed from the salary paid as the result of the sick leave conversion and will the MatchMaker apply on those amounts?

Yes. The sick leave, once converted, is PERA-includable salary.

Municipal Employers: Lower Contributions in January + MatchMaker Reductions

In addition to the reduction in PERA contributions that Municipal Division employers will make to pay for the MatchMaker, they also have an overall new contribution rate. For this calendar year, beginning with pay periods that end in January 2001, the Municipal Division employer rate is cut to 9.43 percent of total PERA-includable payroll.

PERACare Update


The new PERACare Health Benefits program provided to PERA retirees and to employers for their employees, continues to develop. Staff was extremely busy with retiree open enrollment meetings around the state in October and mid-November. More than 15,000 retirees and other persons attended the meetings. In addition, seven employers enrolled in PERACare, and their employees were pleased to have a choice of plans.

For many interested employers, the major selling points of the plan are the flexible plan designs and the reduced administrative costs, both original goals of the program. When considering administrative costs, employers should also consider future savings in consulting fees. While initially the employer may want to have a consultant to help compare options, there should be little need to use consultants once enrolled in the plan. Employees are attracted to the choice, potential cost savings, and the ability to take the plan into retirement.


Health care providers, depending on service areas, include CIGNA HMO, Health Network of Colorado Springs, Kaiser Permanente HMO, and Rocky Mountain HMO. Dental providers are CIGNA Dental HMO, which mainly provides services in the Front Range area, and United Concordia Dental PPO, which provides the same level of benefits whether or not participants use PPO dentists. Vision providers are Cole Managed Vision Plan and Vision Service Plan (VSP).


Rates for employers with less than 250 employees should be posted on the PERA Web page before the end of January along with plan designs and other information. For rates for employer with more than 250 employees or to discuss the program, employers may call PERACare at 1-877-737-2900 or e-mail us at peracare@copera.org.


PERAGraphs


 **New on the Web:** By the end of January 2001, we will be moving to a semi-secure Web site for PERA employers; to access it, you will need to enter your PERA employer affiliation number. Later, we will move to a secure site with special identification numbers issued so payroll information is available on the site for payroll staff. Information in the semi-secure area will include PERA Employer Representative e-mail and telephone numbers, contribution reporting file identification information, and other employer specific information. Here are some new items added recently:

- ◆ MatchMaker Implementation Example
- ◆ Domestic Relations Order instructions and forms
- ◆ Contribution Report File layout specifications for January 1, 2001
- ◆ IRS Limits Calculator
- ◆ Trustee Meeting Summaries (in News)
- ◆ Pension Disclosure Reporting FY December 2000 and FY June 2001


 **New Contribution Reporting Forms:** New reporting forms were mailed to all employers in October. Please use the new forms in January and destroy the old ones. If you did not receive the mailing, please call your Employer Representative.


 **Electronic Reporting:** As explained in information mailed to all payroll offices in October, manual paper reporting of member contribution information should only be used if you report 25 or fewer members. If you send a contribution report to PERA that you print yourself, it must use the same format as PERA Contribution Report or the PERA 401(k) Plan Contribution Report. This means that a report that you generate must have the same columns, in the same order, as shown on the pre-printed forms that were sent to you. Paper reports submitted in the wrong format will not be accepted.


 **Independent Contractor Status:** Independent contractors who are working for a PERA employer are not required to contribute to PERA. However, there are legal differences between an independent contractor and being an employee under a contract with your employer. Here are a few of the things that an independent contractor would do: Pay Social Security and FICA up to 15.3 percent for themselves and as the employer, determine his or her own work hours, provides all of his or her own tools, materials, etc., and provides his/her own work space. These are just a few of the requirements. HR staff should ensure they are in compliance by reviewing IRS Revenue Ruling 87-41 governing independent contract work. If a contract employee cannot pass the IRS rules, then he/she would be required to be a PERA member, or if a PERA retiree, he or she would be restricted by the number of days/hours worked.


 **401(k) Enrollment Kits & Forms:** To eliminate confusion and answer participant questions, employees interested in enrolling in the 401(k) Plan should receive the entire enrollment information packet, not just the enrollment form. If you need additional 401(k) Enrollment Kits, you may order them through the PERA Web site. Thank you for your patience over the last four months in getting kits to provide for your employees. We distributed more than 50,000 kits since July! Also, please do not give enrollment forms to employees who want to make changes in the investment of their funds. PERA no longer accepts investment changes in paper form. To make investment changes, employees should use their PIN to access their account either through the PERA Web site or via InfoExpress interactive telephone or call PERA's Customer Service Center.


PERAGraphs


 **Sick Leave Conversion Plans:** Payroll offices are asked to complete the postcard that is being sent with this issue of TOPICS to indicate whether your employer has adopted or plans to adopt the sick leave conversion plan as authorized in HB 00-1458 (section 24-50-104(7.5), C.R.S.). PERA is not asking employers to submit their sick leave conversion plans for review and approval since the statutory authority gives clear guidance for the development and implementation of these plans. If you choose to adopt plans to allow for this conversion, refer to the authorizing legislation. PERA will review the plans sent to us but only for conformity to the statutory definition of PERA-includable salary found at section 24-51-101(42), C.R.S.

 **Clarification of Sick Leave Conversion Rules:** An update of our interpretation of the law has been made for non-State employers that will provide a more uniform application of the law between State and non-State members. The sick leave conversion plan that non-State employers adopt may allow members converting sick leave for PERA purposes to include accumulated sick leave as of the first day of any fiscal year through July 1, 2004, for sick leave accrued at the standard rate of accrual for all employees. See the revised fact sheet on the Web site in the Benefits section.

 **New Member Kits:** Employers may choose to pass out PERA New Member Kits rather than having them mailed to employees. If you wish to distribute the kits, PERA will discontinue sending out the information to all of your new members. Please contact your PERA employer representative to request this, or you may e-mail customerservice@copera.org and we will get you the number you need for the next six months.

 **IRS Limits for Voluntary Defined Contribution Plans:** The IRS announced an increase in the maximum 457 Deferred Compensation contributions for 2001 to \$8,500. No increases were made for 401(k) and 403(b) plans.


 **IRS Maximum Compensation Limit:** As a reminder to employers, IRC 401(a)(17) sets \$170,000 as the maximum salary on which contributions to a defined benefit plan (PERA) may be made. Employers should stop making PERA contributions once salary for the calendar year totals \$170,000 for employees who became PERA members after January 1, 1996. Consequently, the MatchMaker would not apply to any salary over \$170,000.

 **IRS Maximum 415(b) Annual Defined Benefit Amount:** The IRC has set a new dollar limit on the benefit amount PERA (and other similar pension plans) may pay from tax-deferred trust funds. PERA cannot pay to the retiree any benefit amount that exceeds this federal tax limit, but the Code does allow PERA employers to establish Replacement Benefit Arrangements and to make payments to the retiree for amounts PERA is unable to pay. The employer is then reimbursed by PERA for those payments. Also, the PERA benefit is based on the tax-deferred contributions, consequently, if the member has made tax-paid contributions or tax-paid purchases of service credit, the benefit amount would be modified. The maximum benefit for a retiree who is age 62 is \$140,000; this is reduced for each year the employee retires before age 62. Here are some examples of maximum taxable benefit amounts:


Age 50: \$59,296


Age 52: \$67,621

Age 55: \$82,971

 **New Publications:** Publications being sent to payroll and personnel offices with this issue of TOPICS are indicated with an asterisk. Other recipients of TOPICS may order these publications if they choose through the PERA Web site; also you may order other publications and forms listed if you need them.

- ◆ PERA's 401(k) Plan Enrollment Kit (9-00)
- ◆ PERA's 401(k) Plan Tax Deferral Worksheet (11-00)
- ◆ Your PERA Benefits—State Troopers and CBI Agents (6-00)
- ◆ Taxes on PERA Benefits (2-00)
- ◆ Information for New PERA Members-ESP (8-00)
- ◆ Member Information Form (7-00)
- ◆ Disability Program (7-00)
- ◆ Leaving PERA Covered Employment (10-00)
- ◆ PERA Retirement Process (6-00)
- ◆ Purchasing Service Credit (9-00)
- ◆ Your PERA Benefits—Judges (6-00)
- ◆ PERA Life Insurance Plans (9-00)
- ◆ PERA Law (11-00)*
- ◆ PERA Rules (10-00)*
- ◆ Medicare and PERACare (10-00)*
- ◆ PERACare for Retirees (9-00)*

 **You Deserve a Raise:** The enclosed flyer sent to payroll and personnel offices may be ordered from PERA and used as payroll inserts or to give to new employees. To order the insert, e-mail customerservice@copera.org. We also have an 8.5" x 11" poster that you may be able to use in your schools or offices. Let us know how many you need.

 **Critical Shortage of Unlicensed Staff:** HB 00-1222 allowed for school districts to declare a critical shortage of unlicensed (classified) positions, and to employ PERA retirees full-time without a reduction in the retiree's PERA benefit. Districts must follow the steps in the law before declaring a critical shortage, advise PERA (the Employer Representative) when a critical shortage has been declared, and arrange to make contributions to PERA on all salary paid to all retirees in any classified position. The declaration of a critical shortage does not waive the requirement that the retiring member not work for any PERA employer during the month in which retirement becomes effective.