



TOPICS

OFFICIAL BULLETIN FOR PERA-AFFILIATED PAYROLL/PERSONNEL STAFF

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Contribution Rates Set for 2002

Despite a downturn in the investment markets in 2000, PERA assets exceeded liabilities at the end of the year. This means that the gainsharing that began this year will continue in 2002. Employers receive a share through temporary reductions in the contribution rate.

Employer contribution rates have decreased sharply over the last two years, but State and School Division employers will have a slight increase for the year beginning July 1, 2002. Here are the previous rates and the new rates for 2002:

State and School

July 1, 1999	11.40%
July 1, 2000	10.40%
July 1, 2001	9.9%
July 1, 2002	10.04%

State Troopers

July 1, 1999	13.10%
July 1, 2000	13.10%
July 1, 2001	12.6%
July 1, 2002	12.74%

Municipal

July 1, 1999	10.00%
July 1, 2000	10.00%
January 1, 2001	9.43%
January 1, 2002	9.19%

Judicial

July 1, 1999	15.00%
July 1, 2000	14.00%
July 1, 2001	11.82%
July 1, 2002	11.82%

As part of the gainsharing program that included the MatchMaker, employer contribution rates in the State and School Division and in the Judicial Division were permanently reduced by 1 percent of salary in 2000. An additional reduction occurred when PERA's retirement trust funds became fully funded last year. Because assets currently exceed

liabilities, the overfunding is amortized, and a portion is used for temporary employer contribution reductions, as well as for the MatchMaker and for allocation to the PERA Health Care Trust Fund.

The employer rates vary year-to-year, based on the actuarial funding status of each division's retirement trust fund. In the State and School Division, the base rate is 10.4 percent of salary. The minimum reduction from that rate was set by the legislation at 0.5 percent for the year that began July 1, 2001. For years beginning July 1, 2002, the minimum reduction will be 0.25 percent of salary, meaning that the maximum State and School rate will be 10.15 percent for all future years. However, because the gainsharing program still yields a healthy share, the calculated reduction is 0.36 percent of salary, so the contribution rate starting July 1, 2002, will be 10.04 percent of salary (10.40% - 0.36%).

PERA employers will save a total of \$71 million during the year that begins next July, compared to the rates that were in effect on July 1, 1999. The average employer contribution for public retirement plans in other states, and for plans for cities and counties in Colorado, is 13 percent of salary, not including costs for retiree health care.

MatchMaker Rates Determined

Over 78,000 PERA members are benefiting from MatchMaker dollars added to their defined contribution accounts. Nearly 60,000 of those PERA members participate in the PERA 401(k) program.

For 2002, the maximum match amounts are as follows:

- 3 percent of pay for State and School Division and Municipal Division
- 7 percent for Judges

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

TOPICS, September 2001

More MatchMaker Information

PERA's Internal Audit Division will be mailing letters to a random sample of members asking them to verify the amount contributed by their employers and reported to PERA for the period January 2001 through June 2001. This is done to make sure that the MatchMaker amounts are correct. For information on this project, call Mary Kay Howard at 303-832-9550, ext. 6594.

Retirement Benefits Study Due Early December

A study of retirement benefits for PERA members will be completed later this fall. The study was required by Senate Bill 01-149, and calls for the State Auditor's Office to conduct a comprehensive study of retirement plan designs for PERA members. The Auditor hired Buck Consultants, actuaries and benefit consultants, to assist with the study.

The study will include a comparison of PERA's comprehensive retirement, portability, and other benefits to those provided for other public sector workers, and for private sector workers. It also will examine several alternative plan designs, including some that might further improve portability under the current PERA plan, and some that might allow employees to choose between membership in PERA and a modified plan. The consultants will examine both defined benefit and defined contribution plans. PERA's cost (contribution rates) also will be compared to other plans.

The current PERA plan has been developed by the Legislature and the PERA Board of Trustees over a number of years, and recognizes that state, school, judicial, and most municipal employment is not covered by Social Security. PERA is a defined benefit plan that provides guaranteed retirement and other benefits, and allows service credit to be purchased at a favorable cost. For many PERA members, membership includes participation in a defined contribution plan. A portion of the employers' retirement contribution is used to match voluntary contributions by members to 401(k), 457, or 403(b) defined contribution plans that supplement PERA benefits.

As introduced, SB 01-149 would have required all new state employees to elect to participate in PERA or a defined contribution plan at the time they are hired. PERA opposed that, and supported a study instead. The study report might not make specific recommendations, but depending on its findings, changes to PERA may be proposed by the Legislative Audit Committee, by other legislators, or by PERA.

PERACare For Employers

Information about the PERACare program for actives will be mailed to affiliated employers soon. The information will highlight changes to the program for 2002. Coverage will become available in Summit, Eagle, Pitkin, and Garfield counties. The mailing will include a general informational piece describing the coverage, participation guidelines, and premiums.

The most significant change to the PERACare program for the coming year is the employer's ability to choose dental coverage outside of the PERACare-offered Cigna Dental HMO and United Concordia PPO coverage. While the dental coverage has been "unlinked" from the medical and vision coverage, United Concordia has also lowered its PERACare premiums for 2002.

Employers with more than 250 employees must request a premium quote, while employers with less than 250 employees will continue to have community-rated premiums. It is the goal of the PERACare program to gradually move to uniform community-rated premiums by region in the future. For information about the PERACare coverage employers may choose, contact Dennis Gatlin at 303-832-9550, ext. 6188.

Rocky Mountain Life is Now Anthem Life

In late December 2000, Rocky Mountain Life Insurance Company received final regulatory approval to merge with its affiliate, Anthem Life Insurance Company. The merged company is known as Anthem Life and business will continue to be processed at the same location as before. Those employees enrolled in Rocky Mountain Life will remain enrolled with Anthem Life. All benefits remain the same.

Economic Growth and Tax Relief Reconciliation Act of 2001 Highlights

The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001, which President Bush signed in June, was a long awaited piece of legislation that provides increased opportunities for individual retirement savings. The legislation provides some simplification and seems to support a trend toward more individual choice and flexibility.

Unfortunately, there are also additional responsibilities for plan administrators such as PERA and some changes which will impact our affiliated employers. From an implementation perspective, there are still several gray areas that need clarification. Though we cannot supply guidance at this time, we can highlight the law changes that affect PERA's benefit programs.

Generally, the effective date for the majority of the provisions is January 1, 2002, we will note any different effective dates.

Defined Benefit Limits

- The benefit limit for retirees 62-65 will be \$160,000 per year. That figure is actuarially decreased for younger retirees and increased for older retirees. The limit will be indexed for inflation annually in \$5,000 increments. As a result, we hope to see less of a reliance on supplemental payments from Replacement Benefit Arrangements through our employers beginning in 2002.
- The salary limit for PERA contributions will increase from \$170,000 to \$200,000 per year. The limit is indexed for inflation annually in \$5,000 increments. Employers will want to make changes to their PERA contribution reporting systems to allow for the increased salary limit.

Defined Contribution Limits

- Participants will be able to contribute 100 percent of compensation up to \$11,000 to PERA's 401(k) Plan. This amount increases annually to \$15,000 by 2006 and is then indexed for inflation in \$500 annual increments. (These new contribution limits may also apply to 403(b) and 457 plans employers offer. Check with your plan administrator to determine if their contribution limits will also increase.)

- The dollar limits for the sum of 401(k) contributions from the employee, the employer, and the MatchMaker program will be \$40,000 in 2002; beginning in 2003, limits will be indexed for inflation in \$1,000 increments.
- A new 401(k) catch-up provision allows participants 50 years of age and older to contribute an additional \$1,000 above the annual limit. The participant must be contributing the maximum amount to utilize this option. It appears a member can participate in the catch-up for any plan in which he participates as long as these conditions are met. However, if the member is in a 457 plan and participates in the "three-years-before-retirement" catch-up, it appears he cannot participate in the new catch up provisions for any plan. The catch-up increases to \$5,000 by 2006, and is then indexed for inflation in \$500 annual increments.

Again, employers will want to review their 401(k) contribution reporting systems to ensure that they can accommodate these new contribution limits and catch-up provisions. Because of different treatment for catch-up money, it will need to be reported separately from regular 401(k) contributions.

Coordination of Defined Contribution Plans

- Regular contributions to a 457 plan and a 403(b) or 401(k) plan no longer need to be coordinated for regular contributions. A participant can contribute the maximum to each plan, up to \$11,000 or 100 percent of compensation whichever is less.
- Coordination of dollar limits is still required between 401(k) and 403(b) plans. A participant contributing to both plans can only contribute a total of \$11,000 or 100 percent of compensation, whichever is less, to both plans.

Tax Credit to Encourage Participation

- The law allows a tax credit for lower income participants who contribute to a 401(k), a 403(b), 457, or an IRA through 2006. This credit will be available to single filers whose adjusted gross income is less than \$25,000 or to joint filers below \$50,000.
- The tax credit ranges from 10 percent to 50 percent for the first \$2,000 contribution (maximum credit is \$1,000).

Purchasing Service Credit

- The new law allows a trust-to-trust transfer of tax-deferred money from a 457, 403(b), or regular IRA, to be used for purchasing service credit.
- This only applies to purchase agreements that can be paid after January 1, 2002. If a member retires or terminates before that date, he cannot use this provision.
- 457 and 403(b) plans will need to amend their plan documents to allow a transfer out.
- PERA can begin issuing purchase agreements in December 2001 with a due date of January 31, 2002, using these provisions.

401(k) Plan Rollovers

- The new law allows rollovers and transfers of tax-deferred money from 457 plans, 403(b) plans, and regular IRAs.
- A distributable event must take place before the money can be rolled over.

This is only a brief overview of some of the provisions. We realize some of you are already modifying your systems to accommodate the new provisions and will need additional information from PERA before you can complete the reporting specifications. We are in the process of addressing the gray areas and establishing internal procedures to ensure compliance with the law. We will provide further guidance as soon as it is developed and we thank you for your patience.

TOPICS E-mail Distribution List

If you would like to receive the next issue of *Topics* via e-mail rather than having a copy mailed to you, please e-mail Katie Kaufmanis at kkaufmanis@copera.org with your e-mail address and the address to which we were mailing.

Watch for New PERA Web Site

A new look and feel for the PERA Web site will be unveiled soon. The new site features audience-based sections, with one area just for employers. We welcome your feedback about our new site. Be sure to comment by using the feedback form on the site, so we'll know what you like and what we need to adjust.

Updated Your PERA Benefits Brochure

The *Your PERA Benefits* brochure has been updated to reflect the following changes:

- Employer contribution rates
- MatchMaker percentages
- Anthem Life name change
- New life expectancy factors that affect the Money Purchase Benefit
- New option factors

TOPICS Enclosure

Payroll and personnel offices are receiving an enclosure with this *TOPICS* that lists the names of employees for whom PERA does not have valid addresses. Please review your list and forward the missing address information to PERA for our records. Call PERA's Customer Service Center at 1-800-759-PERA (7372) or 303-832-9550.