

Purchasing Service Credit Update

It has been a record year for member requests for purchasing service credit. Due to more flexible rules under the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), members are now using funds from their 403(b), 457, 401(k) accounts, and IRAs to buy service credit in Colorado PERA's defined benefit plan. As a result of the large number of requests, we are asking members and employers to assist us by making their requests for purchasing service credits early and well before retirement or termination. Please encourage employees to attend a Benefits Information Meeting or Purchasing Service Credit meeting so that they can be informed on the process. The Colorado PERA Web site is also an excellent resource for information—www.copera.org.

	January 2001	January 2002
# of agreements set up	204	590
Total service purchased (in months)	8,522	30,129
Total amount received	\$8,399,694	\$32,453,214
	February 2001	February 2002
# of agreements set up	165	542
Total service purchased (in months)	6,737	25,409
Total amount received	\$6,227,959	\$36,869,898
	March 2001	March 2002
# of agreements set up	133	699
Total service purchased (in months)	5,933	34,946
Total amount received	\$5,455,218	\$47,690,252
	April 2001	April 2002
# of agreements set up	159	865
Total service purchased (in months)	6,271	41,283
Total amount received	\$5,874,770	\$45,842,265

MatchMaker Participation Rates Below "Industry Average"

According to defined contribution trade publications, employers who provide a match on their employees' 401(k) plans can expect a 70 percent participation rate. In January of 2001, Colorado PERA began a match program for employees who have 403(b), 457 and 401(k) accounts. (See matching amounts in box.) While participation in such plans did increase (PERA's 401(k) Plan went from 35,162 accounts to 64,632 accounts), the rates are still lower than anticipated.

Did you know that 78,619 (48 percent) of PERA members are leaving MatchMaker dollars (free money) on the table by not participating in the program? While over 85,000 PERA members are benefiting from the addition of MatchMaker dollars to their defined contribution accounts, this translates to a 52 percent participation rate, much lower than the industry standard of 70 percent.

Employers are reminded that participation in MatchMaker is not optional. Under state law, (Section 24-51-408.5) employers are required to pay the matching contribution to eligible plans. The matching contribution is deducted from the regular contribution to PERA, so it is not an additional cost to employers. Remember that the match provision applies to temporary and part-time employees as well. If you have questions, you are encouraged to contact your employer representative at PERA.

School Districts were sent a paycheck stuffer to use in promoting the MatchMaker program in April. If you would like additional MatchMaker paycheck/EFT confirmation inserts, please contact Katie Kaufmanis at 303-863-3814.

2002 MatchMaker Maximum Match

State and School Division and Municipal Division: 3%
Judicial Division: 7%

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Contribution Rates Set for 2002

Employer contribution rates will change for the State and School Division on July 1, 2002. Remember that these new rates are effective for the July payroll and are due to PERA by August 10.

Here are the current rates and the new rates for 2002:

	<u>July 1, 2001</u>	<u>July 1, 2002</u>
State and School	9.9%	10.04%
State Troopers	12.6%	12.74%
Municipal	9.43%	9.19%
	(1/1/01)	(1/1/02)
Judicial	11.82%	11.82%

Colorado PERA Welcomes New Employers

The following employers have affiliated with PERA since June of last year:

- Collbran Conservancy District
- Northeastern Colorado Association of Local Governments
- Grand Valley Fire Protection District
- Durango Fire & Rescue Authority
- Green Mountain Water & Sanitation District
- Town of Lochbuie
- Housing Authority of the County of Adams
- State Veterans' Nursing Home at Fitzsimons (effective July 1, 2002)

Contribution Reporting and the Hiring of Students

PERA coverage is required for students who are not attending classes and who work in a position other than a "student only" position.

Example 1: Brian, a high school sophomore, is hired from April 1 through October 15 to mow the grass around the school buildings. The school district only will hire a student to do this work. While there is a summer school session from June 15 through July 15, Brian will not be attending summer school. School recesses for the summer on May 31 and resumes on September 3.

Does Brian require PERA coverage during any of this time?

Coverage is not required for Brian from April 1 to May 31 and from September 3 to October 15 since he is attending class and is in a "student only" position. However, coverage is required during the period of June 1 to September 2, even though he is in a "student only" position, because he is not attending class during this period.

Example 2: Jill, a high school junior, has been hired by the school to refinish desks during the

summer. The school district has decided only to hire a student to do this work. School recesses for the summer on May 31 and resumes September 3. Her job begins June 1 and ends on August 31. Jill will be attending summer school classes from June 15 through July 15.

Does Jill require coverage under PERA?

PERA coverage is required for Jill when she is not in summer school. Therefore, from June 1 through June 14 and from July 16 through August 31, Jill requires coverage. For the period during summer school, contributions should not be remitted.

Example 3: Kristin, a recent high school graduate, is hired by the school district to do temporary clerical work during the summer from June 1 through August 31. The position was advertised in the local newspaper available for anyone to apply. School recesses for the summer on May 31 and does not resume until September 3.

Does Kristin require PERA coverage?

Contributions must be remitted for Kristin for the entire period of her employment, since the position is not a "student only" position, she is no longer a student, and the job is not available until school recesses for the summer.

Working After Retirement Update

Colorado state law specifies that a PERA retiree must not work in any capacity for any PERA-affiliated employer during the month of his or her effective date of retirement to receive a full month's benefit. Consequently, if a retiree works for a PERA-affiliated employer during the month of the effective date of retirement, the employer may be asked for documentation about the retiree's employment status. There must be a termination of all PERA-covered employment for a member to be eligible to retire. Any return to work may cause PERA to question whether the employment relationship was truly terminated. To assure that a termination of employment has occurred, a retiree may not return to work for any PERA-affiliated employer on the first business day of the month in which the retirement is effective. That means the employee may not be compensated for that day, nor can the employee volunteer his or her time on that day.

If the retiree returns to work for a PERA-affiliated employer (after that first business day of being unemployed), PERA must reduce the retiree's benefit for the following month by 5 percent for each day or partial day that the retiree works during the month the retirement is effective.

Retirees may work up to 110 days in a calendar year without any reduction in their benefit. A

reminder notice and reporting form are included in all new retiree informational packets sent by PERA to assist retirees in complying with the law. See the *Working After Retirement Brochure* on the PERA Web site for more details.

Critical Shortage Legislation

Senate Bill 02-145, passed and signed into law this legislative session, allows school districts that have less than 4,500 students to declare a critical shortage of teachers and principals and to employ PERA retirees full-time as teachers or principals 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 employer contributions to PERA on *all* salary paid to *all* retirees in *any* teaching or principal position.

For a school district board of education to declare a critical shortage of teachers, it must:

- Be a school district that has fewer than 4,500 students according to the Colorado Department of Education,
- Not have offered an early retirement incentive or Experience and Longevity Plan during the current or either of the two previous calendar years,
- Post the vacancy for the teaching/principal position for at least one month,
- Solicit applications through local and widely distributed newspapers or through teacher education programs,
- Declare that there is an insufficient number of eligible applicants for teacher/principal positions, and
- Pass a resolution declaring a critical shortage.

The resolution is effective for one year, and can be renewed annually to determine if criteria still exists. The entire critical shortage of teachers provision is repealed on July 1, 2005.

School districts of any size are allowed to declare a critical shortage of non-licensed employees such as bus drivers and custodians under existing law. This statute is in effect until July 1, 2003. A Fact Sheet on the Critical Shortage legislation is on the PERA Web site.

New Contribution Report Forms

The forms you use to report PERA and 401(k) contributions and summaries have been revised. Both of the contribution reports are now titled "Contribution Adjustment Report" to more accurately reflect their use. As before, the instructions are on the back of each form. Attached

with this issue of *Topics* is a PDF of each form (1-39a, 14-4, 14-5). You will also receive these new forms in an upcoming mailing. Please begin using the new forms immediately and toss any previous versions.

Long-Term Care Update

The State of Colorado's Division of Insurance has approved the American Network Insurance Company (ANIC), a sister company to Penn Treaty, to market the Long Term Care program for PERA members, retirees, and their family members.

The benefits and premiums are the same as they were with Penn Treaty's offerings. All new policies will be insured by ANIC; existing policies issued by Penn Treaty and MedAmerica remain in force and are not affected by this change of insurers. U.S. Care remains the long-term care program manager for PERA.

Information kits are now available for those individuals interested in long-term care insurance. If you have already requested a kit, you should receive one within the next week. For more information or to order a kit, call 1-888-PERA-LTC (1-888-737-2582).

Trustee Election

Two positions on the PERA Board of Trustees are up for election this month. One Trustee will be elected from a School employer, and the other from a State employer. Both positions are four-year terms. (Mark Anderson, a Trustee elected from the Municipal Division, faced no opposition and was reappointed for a four-year term.) Ballots were mailed to all State and School members earlier in May. Employees may request a replacement ballot until May 24 by calling the Customer Service Center at 303-832-9550, 1-800-759-7372. The deadline for receipt of ballots is May 31, 2002.

PERACare Reaches More Employers

The PERACare Health Benefits program extended to affiliated employers in 2001 is adding more employers to its growing list. A total of 30 employers now provide PERACare to their employees.

Colorado PERA welcomes the following employers to PERACare July 1:

- Arickaree School District
- Aurora Housing Authority (*effective February 2002*)
- Cheraw School District
- Elbert County Charter School (*effective June 2002*)
- LaVeta School District
- Meeker School District
- Santa Fe Trail BOCES
- Stratton School District
- Swink School District

Selection of the PERACare program may occur at any time. Employers with more than 250 benefit-eligible employees should request a premium quote. For details about the coverage, to request a premium quote, or to set a meeting time for a PERA representative to talk to your organization's decision makers, contact Dennis Gatlin at 303-832-9550 ext. 6188.

Our Way of Saying "Thank You"

Canvas bags with the new Colorado PERA logo were mailed to all payroll and personnel contacts earlier this year. These bags are our way of saying "thank you" for helping us provide accurate information about PERA benefits to your employees. If by chance we missed you and you did not receive a canvas bag, please email Katie Kaufmanis at kkaufmanis@copera.org.

Employer Handbook

An electronic version of the Colorado PERA Employer Handbook will be available soon. The new version will be available on our Web site later this summer. It will be reformatted to provide simple access to information employers need about PERA and contain links to legislation and current forms. We will send you a notice when the electronic version is published.

Visit the Colorado PERA Web site. It includes past issues of *Topics* in the Employer Section. www.copera.org



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