

Board Develops Legislative Proposals for 2004 Session

The Colorado PERA Board of Trustees has established its legislative proposals for the 2004 session. These proposals were developed to improve the current and future actuarial funding of the PERA trust funds. In developing these proposals, from among a number of alternatives considered, the Board sought to affect PERA member, retiree, and employer groups equitably.

The following proposals impact Colorado PERA-affiliated employers:

Suspend MatchMaker by July 1, 2004

Because the PERA funds are no longer over 100 percent funded, the Board is seeking legislation to discontinue the MatchMaker program. Legislation will be introduced to discontinue the MatchMaker as soon as possible and may affect employers' March 2004 payroll reporting.

Change Due Date for PERA Contributions

You may recall that as part of Senate Bill 03-101, the due date for employers to report contributions to PERA was to be changed to 5 business days after employees are paid. Because this legislation was part of a larger bill that was vetoed by the Governor, that due date did not go into effect. Current law calls for employers to submit contributions by the 10th of the month following the month in which employees are paid.

PERA still believes that requiring employers to submit contributions within 5 business days after payday provides better service to the PERA membership by allowing contributions to gain interest sooner, and for more timely processing of member refunds and retirements.

The proposed effective date for this change is July 1, 2004.

Include IRC Section 125 and 132 as PERA Salary

Currently, employers and members do not make PERA contributions on salary that is deferred to Section 125 (flexible spending) and Section 132 (transportation allowance) plans. This causes members to discontinue participation in such plans typically in the three years before they retire so that their Highest Average Salary can be increased. PERA does not have the contributions that would have been paid on these deferrals to invest

throughout the career of the member, yet has to pay a higher benefit because employees stop Section 125 and 132 deferrals near retirement.

This proposal would be effective January 1, 2005, if passed into law.

Employer Contribution Rate Increases

Employer contribution rates have declined over the past decade as PERA's funded status improved. However, with the unprecedented losses in the financial markets all investors have experienced in the last few years, employer contribution rates must be gradually restored to ensure the financial health of the PERA trust funds.

PERA is proposing that employer contribution rates increase by 0.5 percent of salary each year starting July 1, 2005 (January 1, 2005, for Municipal Division employers). Employer contribution rates would be capped at the following maximum levels:

State and School Division	13.15%
State Troopers	15.85%
Municipal Division	13.00%
Judicial Division	15.00%

These proposed rate caps would not be reached if PERA becomes significantly overfunded before 2010, but that is not likely.

Employer Contributions on Retirees' Salaries

The current practice of allowing PERA retirees to return to work for an employer affiliated with PERA has encouraged members to retire much earlier than anticipated. Earlier retirements mean that PERA has to pay benefits for a longer period of time and this increases the actuarial liabilities of PERA. Under this proposal, employers would pay the employer contribution to PERA on salary paid to PERA retirees who work for the employer.

Contributions paid under this proposal would be used to pay off PERA's unfunded liability. The 110-day limit continues.

The proposed effective date would be July 1, 2005.

The entire proposed legislative package is on the PERA Web site and is included as an attached PDF.

Attachments:

Colorado PERA's Accrued Leave Policy Fact Sheet

Colorado PERA and the Teacher Incentive Grant Program Fact Sheet

Internal Revenue Code 415(b) Limits Fact Sheet

Proposed Colorado PERA Legislation for 2004

Salary Cap for PERA Contributions

Under the Internal Revenue Code Section 401(a)17 contribution limit rule, employees hired after December 31, 1995, cannot make contributions to PERA on salary in excess of \$205,000 for calendar year 2004. (This is an increase of \$5,000 over the previous limit.) There is no contribution limit for employees hired before January 1, 1996. If you have employees who were hired after December 31, 1995, and who have annual salary greater than \$205,000, be sure to stop reporting salary and stop making PERA contributions after the employee has reached the contribution limit.

2004 Municipal Employer Contribution Rate

Remember that under current law, the Municipal Division employer contribution rate will increase to 10.0 percent for payrolls that end on or after January 1, 2004.

Changes to PERA's 401(k) Plan

PERA has selected CitiStreet to be the new service provider for the PERA 401(k) Plan effective March 1, 2004. CitiStreet is one of the world's leading retirement plan administrators, and is known for their extensive experience with similar state 401(k) multi-employer programs.

CitiStreet will replace ADP, the Plan's current recordkeeper, and assume the 401(k)-related responsibilities of PERA staff. On March 1, 2004, CitiStreet will be responsible for all 401(k) Plan contribution report processing.

As a result of this change to CitiStreet, employers will be reporting and sending 401(k) contributions directly to CitiStreet. We plan to have an extensive training session for employers supported by a 401(k) Employer Manual that will assist you in sending your contribution information to CitiStreet. Look for details on employer training in the weeks ahead. Testing of the contribution reporting system to CitiStreet will take place in late January. We will also be sending you a new authorization form that will allow access to CitiStreet's reporting system.

New Affiliates

Colorado PERA welcomes the following new employers (affiliation dates):

- GVR Metropolitan District—July 1, 2003
- Bellecreek Charter School—August 1, 2003
- Arapahoe Park & Recreation District—September 1, 2003
- Colorado Health Facilities Authority—October 1, 2003

- Douglas County Housing Partnership—December 1, 2003
- Pikes Peak School of Expeditionary Learning—January 1, 2004
- Colorado First Conservation District—January 1, 2004

PERACare Update

A total of 31 employers now provide PERACare to their employees. Selection of the PERACare program may occur at any time. For details about benefits and premiums, contact Dennis Gatlin at 303-832-9550, ext. 6188, or e-mail dgatlin@copera.org.

Colorado PERA welcomes the following employer to PERACare in 2004:

- Douglas County Housing Partnership January 1, 2004

PERACare renewals for January 2004 include:

- Arkansas Valley Regional Library Service System
- Aurora Housing Authority
- Brush Housing
- Colorado Resources & Power Division
- Douglas Public Library District
- Elbert County Charter School
- Green Mountain Water & Sanitation District
- Meeker Cemetery District
- Meeker Regional Library District
- Plains and Peaks Regional Library Service System
- Rampart Library
- Rangely Regional Library District
- Red Feather Mountain Library District
- San Miguel County Public Library District
- Southwest Regional Library
- Tutmose Academy Charter
- West End School District
- Western Rio Blanco Metro Recreation and Park District
- Windsor-Severance Library District

The Colorado PERA rate of return on investments from January 2003 through October 2003 is 15.7 percent. This is unaudited data, and does not include 3rd Quarter returns from Real Estate or Alternative Investments.

MatchMaker Rates for 2004

PERA's MatchMaker Program rates will decrease for payroll periods that end on or after January 1, 2004. The new rates are below:

State and School Division	1%
Municipal Division	1%
Judicial Division	5%

Colorado PERA Accrued Leave Policy

We've had several employers ask us about the recently adopted Accrued Leave Policy. Please refer to the attached *Colorado PERA's Accrued Leave Policy* Fact Sheet for details.

Purchasing Service Credit Update

A record number of PERA members took advantage of the lower cost to purchase service before rates increased on November 1, 2003. Here's a glimpse of some of the totals during the time of January 2003 through October 31, 2003.

- 19,536—Service credit purchase agreements generated
- 4.98—Average number of years purchased
- 1/200th of one month—Least amount of service purchased
- 432.588 months (or 36.049 years)—Most service purchased
- 77 years—Oldest age of member purchasing
- 23 years—Youngest age of member purchasing
- \$37,265—Average agreement amount
- \$735,457,255—Total dollar amount of agreements generated

Online Forms for Employers

The following forms are online in the secured Employer Access portion of the PERA Web site:

- *Online Furlough Form*—use to report employees who have had furlough days from July 1, 2003 through June 30, 2004.
- *Online Six Months' Salary Report*—use to submit a retiring member's anticipated salary and related information.
- *Online Death Notification/Salary Report*—use to report a member's final salary and related information at time of death.

If you have questions about accessing the secured employer access Web site, please contact your Employer Representative at PERA:

Employer Number	Employer Representative
1-350, 990, 991	Rynee Helmig 303-837-6249
351-701	Rose Montano 303-837-6238
702-989	Annette Cote 303-837-6256

Purchasing Service Credit Rates (As a percentage of HAS)

Effective November 1, 2003

	Under Age 50	Age 50+
Members (other than those listed below)	18.10	22.10
Judges	21.75%	25.75%
State Troopers/CBI Agents	22.85	26.85

*State Officials/Legislators: For time previously covered by the State of Colorado's 401(a) plan, the cost is the actuarial cost at the time of purchase, but not less than 18.1% or 22.1% depending on age. For all other noncovered employment, the cost is 18.1% or 22.1% as shown for "Members" in the chart above.

Financial Services Companies Posing as PERA

We continue to hear about financial services companies who are soliciting PERA members. Members tell us that the information that was posted at their place of work or e-mailed to them on their work computer was for a meeting about "PERA benefits."

These meetings are frequently sponsored by financial service companies who are trying to sell products to PERA members. We ask you, as human resources experts, to help us in our efforts to get the best and most accurate information about PERA to PERA members by directing your employees who have questions about PERA to PERA, or by working with our Field Education staff to schedule meetings for your employees. Our information is correct, and it's free!

Employer Number	Field Education Representatives
1-138	Gordon Steuck 303-863-3855 gsteuck@copera.org
139-381	Margaret Lincoln 303-863-3809 mlincoln@copera.org
382-566	Patty Haas 303-863-3861 phaas@copera.org
571-799	Katie Naibauer 303-863-3810 knaibauer@copera.org
800-912	Thomas Shofner 303-837-6289 tshofner@copera.org
913-991	Aubre Schneider 303-837-6261 aschneider@copera.org

Field Education Representatives have also been requesting newsletter contact information for employer newsletters. If you have not provided information about your agency newsletter to us, please e-mail your Field Education Representative with your newsletter contact information. We will be sending articles about PERA you can use in your employee communications.

New Fact Sheet Developed on Teacher Incentive Grants

School Category employers should review the *Colorado PERA and the Teacher Incentive Grant Program* fact sheet (see attached PDF) for information on how to report payments to teachers made under the program.

Notice Regarding PERACare Enrollment for State Employees Planning to Retire

Enrollments in PERACare cannot be processed until PERA receives the *Final Six Months' Salary Report* from the employer. That means that if PERA receives the *Final Six Months' Salary Report* after the employee's effective date of retirement, we will process the PERACare enrollment with a retroactive effective date. This change is a result of the State paying, for example, January premiums at the end of January. So if an employee has an effective retirement date of February 1, PERA will collect 2 months' premium (one for February and one for March coverage) at the end of February. Newly retired State employees may need to pay for claims that are incurred during the first month of retirement and submit them to the carrier for any possible reimbursement. Those members who retire from the State may wish to consider COBRA coverage.