

Information Concerning Colorado PERA's Funded Status

At the end of 2003, Colorado PERA's funded status (assets compared to liabilities) was 76 percent. The funded status of PERA has fluctuated over the past 30 years, ranging from 55 percent in 1970, to 105 percent at the end of 2000. PERA has been over 100 percent funded in only two years (at the end of 1999—103 percent and at the end of 2000—105 percent) since the retirement plan began in 1931.

Factors contributing to the decline in the funded status include:

- An unprecedented downturn in the financial markets in 2000, 2001, and 2002, the three worst consecutive years in market history, including the Great Depression.
- A reduction in the employer contribution rate as part of the "gainsharing" legislation of 2000 (House Bill 00-1458). Review employer contribution rate history at this link: <http://www.copera.org/pera/employer/contributionrates.stm>
- A higher than expected number of members retiring under the legislation that allowed members to retire at age 50 with 30 years of service without a reduction in their benefit (House Bill 98-1191).
- More members purchasing service credit at a reduced rate that was negotiated with the current administration in 2000 in conjunction with the gainsharing legislation that allowed them to retire earlier with a larger benefit.

The funded status of the plan is expected to be lower than 76 percent at the end of 2004. The PERA Board of Trustees has taken the following steps to enhance the funded status of PERA going forward:

- Sought legislation in 2003 to discontinue MatchMaker and increase the employer contribution rate (vetoed by the Governor).
- Increased the cost to purchase service credit.
- Secured legislation this year to:
 - Increase the contributions to be made by employers.

- Increase the age at which new members (hired on or after July 1, 2005) will be allowed to retire with an unreduced benefit.
- Reduce the annual increase in retirement benefits for this same group.
- Lower the interest paid to all member contribution accounts.
- End MatchMaker until PERA is better funded.

PERA will continue to pay benefits to current and future retirees. Changes to pension policy take many years to be fully realized. Appropriate steps have been taken to address the funded status of PERA, and the Board and PERA staff will continue to monitor the situation.

Denver Public Schools Retirement System (DPSRS) Merger Status

Legislation authorizing the Denver Public Schools (DPS), DPSRS, and Colorado PERA to work toward merging DPSRS members and DPS employees not covered under DPSRS into PERA was passed and signed into law in 2003 (SB 03-250). Senate Bill 03-250 gave authority to each of the three parties to terminate the merger agreement on or before July 1, 2004, without restriction. After July 1, 2004, the merger agreement could only be ended under certain conditions as specified in the law. The law states that no reduction in retirement benefits can occur for members of either system.

The funded status of each system (DPSRS and PERA) at the end of 2003 was used by PERA's actuaries to determine the costs related to ensuring that the merger would not result in either plan subsidizing the other. As the July 1, 2004, unrestricted termination deadline to end the merger neared, there were several unresolved cost items identified by the actuaries. On June 29, 2004, the PERA Board of Trustees voted unanimously to terminate the merger agreement in the best interest of the PERA membership.

Significant work has been done by all three parties involved and any subsequent legislation that might be developed to allow negotiations in the future will incorporate the experiences of the past.

Attachments:

- *Sick Leave Conversion Programs Fact Sheet*
- *Purchasing Service Credit Fact Sheet (updated version)*

Sick Leave Conversion Program to Sunset June 30, 2005

A reminder that sick leave conversion programs will end on June 30, 2005. If you have a sick leave conversion program currently in effect, you may want to review the attached fact sheet *Sick Leave Conversion Programs*. All conversions and payments must be completed by June 30, 2005.

PERA's 2003 Comprehensive Annual Financial Report (CAFR) Mailed

The 2003 CAFR was mailed to employers in July. If you did not receive one and would like a copy, the publication is available on the PERA Web site (under the Publications icon), or you may e-mail Candy Olivarri at colivarri@copera.org and request that one be mailed to you.

No Fall Open Enrollment for PERA's Life Insurance Program

PERA's Board of Trustees selected a new vendor for PERA's life insurance program, UnumProvident, and has approved consolidation of the benefits currently being offered through Anthem Life and Prudential into one program with UnumProvident. PERA staff is working with UnumProvident on program development and transition planning. The transition is being targeted for April 2005.

PERA will not be conducting life insurance open enrollment this fall. Instead, life insurance open enrollment will move to spring in 2005 and future years. Those enrolled in PERA's life insurance program with either Anthem or Prudential will be automatically transitioned to the program with UnumProvident. Active members not enrolled in either plan may enroll with UnumProvident during next spring's open enrollment period, or may apply for insurance at any time and do not need to wait for open enrollment.

Detailed information about the new plan will be available on PERA's Web site and will be sent to all PERA members during the first quarter of 2005.

Budget Planning Items

The 2004 legislative session produced new laws that will impact the budgets of PERA-affiliated employers. Specific items and effective dates for implementation are listed below:

- Employer contributions on salaries paid to all PERA retirees, effective July 1, 2005. The retiree is not required to make contributions.
- Increased contributions by employers take effect on January 1, 2006. Employers will begin paying what is called an Amortization Equalization Disbursement, or AED, of 0.5 percent of salary for PERA members, and all employees eligible to select PERA membership

on or after January 1, 2006. The AED will increase 0.5 percent in 2007, and then by 0.4 percent of salary annually for a maximum of a 3 percent total increase by the year 2012. School Division employers will pay an additional 0.4 percent increase in the year 2013.

Non-budget Legislative Reminders

- The separation of the State and School Division will be effective January 1, 2006.
- A new defined contribution (DC) plan option for new state employees will be offered by an external vendor or vendors and PERA will offer a DC plan option for this same group of employees. State employees hired on or after January 1, 2006, will have the option of selecting the current PERA defined benefit (DB) plan, a new PERA-offered DC plan, or the State's current DC plan. Employees in higher education and employees of entities that are not part of state government do not have this option.

Increased Cost to Purchase Service Credit in 2005

The Board of Trustees voted at its September 17, 2004, meeting to increase the cost for service credit purchases. For all purchases of non-covered employment on or after November 1, 2005, the cost will be the full actuarial cost on an attained age basis, but not less than the sum of the member and employer contributions in effect at the time of the purchase. Members may use the Purchase Service Credit cost calculator on the Web site to determine their actuarial rate.

Current Service Credit Purchase Costs Through October 31, 2005

	Under Age 50	Age 50 and Older
State/School and Municipal Divisions	18.1% of HAS	22.1% of HAS
State Troopers	22.85% of HAS	26.85% of HAS
Judges	21.75% of HAS	25.75% of HAS

Actuarial rates are based on the cost of the benefit which results from the service credit purchased.

All required documentation must be received at PERA by 4:30 p.m. on October 31, 2005. A postmark of October 31 is not sufficient.

See the attached *Purchasing Service Credit* fact sheet.

Information on Rehiring PERA Retirees

PERA retirement benefits will be reduced if a PERA retiree works in any capacity for any PERA-affiliated employer during the month of the effective date of retirement. PERA will reduce the retiree's benefit 5 percent for each day or partial day that is worked during the first month of retirement. This reduction applies immediately, regardless of whether or not the retiree exceeds other working after retirement limits.

PERA retirees may work up to 110 days in the calendar year. A day is defined as more than four hours of work in a day. If work is four hours or less during a day, the limit is 720 hours per calendar year. Exceptions apply when a school district declares a critical shortage.

A retiree may volunteer as many hours as he or she desires as long as no compensation is received. If any compensation is received for any service rendered to a PERA-affiliated employer, then the 110-day work limit for a PERA retiree applies.

If a PERA retiree had both daily and hourly employment, PERA must convert hourly work days and compare it to the 110-day limit. Hourly work of four hours or less per day is converted to days by this formula: Total hours worked ÷ 6.5454 = the number of days of employment. Add this sum to the number of days worked more than four hours for the total days worked.

If a PERA retiree exceeds the work limit, PERA must reduce one month's benefit by 5 percent for each day over the limit. A reduction of more than 100 percent of one month's benefit will be carried forward to reduce the next month's benefit.

In addition to the 110 days/720 hours limit, disability retirees whose effective date of retirement was between July 1, 1988, and December 31, 1998,

are subject to an earned income limitation that may reduce their PERA benefit. (Note: Disability retirees who reached service retirement age in 2004 or earlier are not subject to this limit for 2005.)

Reporting Work

It is the responsibility of the PERA retiree to submit a *Post-Retirement Work Report* to PERA by March 31 for the previous calendar year. This report only needs to be filed if work for a PERA-affiliated employer (in any capacity including volunteer work) is more than 110 days or 720 hours during the calendar year.

If the PERA retiree works during the month in which their retirement became effective, the *Report of Work During the Effective Month of Retirement* form must be completed (available on the PERA Web site or by calling PERA's Customer Service Center).

Beginning July 1, 2005, PERA-affiliated employers will be required to pay contributions on salaries paid to PERA retirees who return to work for PERA employers after retirement. This provision of SB 04-257 will help compensate PERA for the cost of early retirement. Retirees can still work for PERA employers, but employers will have to make employer contributions on salaries paid to retirees. The 110-day post-retirement work limit will still apply. Retirees will not be required to make the 8 percent (10 percent for State Troopers) member contribution to PERA.

PERA's 401(k) Plan

Several improvements for employers have been made to the Colorado PERA 401(k) Plan. Employer passwords used to access the CitiStreet contribution reporting system now do not expire. If you would like enrollment kits mailed to you to assist us in making sure all PERA members know about the benefits of the 401(k) Plan, please call the employer only toll-free number at CitiStreet, 1-866-323-7372, or e-mail id-copera@citistreetonline.com. Since the enrollment kit content changes from time to time, we prefer that employers do not stock up on enrollment kits so that interested PERA members and new hires will receive up-to-date information.

All new PERA members are sent a 401(k) *Overview* shortly after PERA receives the *PERA Member Information Form* from the employer, and may not necessarily need the enrollment kit at the time of hire. We are currently working with CitiStreet to implement a "PIN-less" enrollment and fund selection process for PERA members without 401(k) accounts. We hope to announce this new Web service in the next month. The *Contribution Reporting User Guide* will be updated to reflect these changes.

The post-retirement work limit applies to:

- All service and disability retirees.
- Any job with a PERA-covered employer regardless of whether or not the position is subject to PERA membership.

The post-retirement work limit does not apply to:

- Employees at public colleges and universities who retired before June 3, 1994, and are covered by an Optional Retirement Plan.
- Retirees serving as state legislators.
- Participation in the Senior Judge Program by retired judges. (Retired judges may work 110 days for a PERA-affiliated employer in addition to work under the Senior Judge Program.)
- Individuals receiving benefits as cobeneficiaries or survivor benefit recipients.

PERACare Update

A total of 32 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.

New Affiliates

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

- Corridor Community Academy
(August 1, 2004)
- Deep River Charter School
(August 1, 2004)

PERA Employer Representatives

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

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

PERA Field Education Representatives

<i>Employer Number</i>	<i>Field Education Representatives</i>
1-138	Gordon Steuck 303-863-3855 gsteuck@copera.org
139-381	Margaret Lincoln 303-863-3809 mlincoln@copera.org
382-566	Aimee Buchholz 303-863-3706 abuchholz@copera.org
567-800	Shane Linart 303-863-3861 slinart@copera.org
801-912	Thomas Shofner 303-837-6289 tshofner@copera.org
913-999	Aubre Schneider 303-837-6261 aschneider@copera.org