

## Rule-Making Process Underway

The Colorado PERA Board of Trustees met in July and reviewed proposed changes to PERA Rules. PERA Rules guide us in the application of the law that governs PERA's benefits and investments. The rule-making process requires external review by two State agencies—the Department of Regulatory Agencies, and the Attorney General's Office.

### *What's the next step?*

We have included a summary of rules changes being considered by the Board. You may e-mail your comments to Rick Larson at [rlarson@copera.org](mailto:rlarson@copera.org). Once the PERA Board has adopted the proposed rule changes, they will be posted on the PERA Web site in the Employer Info section. That should occur in a few months—we'll send you an e-mail to let you know they are available.

A formal hearing is held by the Board on changes to rules. This hearing is tentatively scheduled for the Board meeting on October 21, 2005. The Hearing Notice will be posted on our Web site at the PERA Board of Trustees link on the home page. The proposed changes to rules are slated to become effective January 1, 2006.

### *Proposed Rules Changes Summary*

Housekeeping changes—include the updating of membership on the Board of Trustees, titles of the executive staff at PERA, and the list of affiliated employers.

**Rule 1:** Definitions—includes a clarification of “affiliated party.” This term is used in Senate Bill 05-73 that outlined working after retirement provisions for rehired PERA retirees by PERA-affiliated employers. Affiliated parties include relatives or businesses in which the retiree has an economic interest.

**Rule 2:** Administration—moves the election of the Chair and Vice Chair of the Board of Trustees to January from July, and provides detail for new legislation (Senate Bill 05-93) under C.R.S. § 24-51-212, related to the attachment of public pension benefits resulting from violating fiduciary duty for those in the public sector. Also changes the rules to reflect legislation that changes the name of the Municipal Division to the Local Government Division and separates the State and School Division.

**Rule 3:** Membership—adds a rule for how reinstated accounts (a purchase of service based on a refunded account) will be treated due to the adoption of new benefit levels for members hired on or after July 1, 2005. Members hired under this new benefit structure post July 1, 2005, will not be able to reinstate accounts and gain rights associated with previous membership.

**Rule 4:** Contributions—updates rule to reflect that not all employers send contributions to PERA on a monthly basis.

**Rule 5:** Service Credit—provides that service credit purchased based on all or part of a refunded account is considered purchased and not earned service credit.

**Rule 6:** Service Retirement—no changes.

**Rule 7:** Disability Benefits—no changes.

**Rule 8:** Benefit Options—no changes.

**Rule 9:** Survivor Benefits—clarifies the amount of survivor benefits paid to multiple qualified children when retroactive benefits are paid to a child who, after 30 days from the previous term, certifies that he or she is enrolled in school for the following term.

**Rule 10:** Increase in Benefit—no changes.

**Rule 11:** Employment After Retirement—no changes.

**Rule 12:** Health Care Program—housekeeping changes to provide consistency in terminology.

**Rule 13:** Life Insurance Program—no changes.

**Rule 14:** Voluntary Investment Program—housekeeping change that removes, in certain places, the term “participant” and replaces it with “member or retiree.”

**Rule 15:** Domestic Relations Orders (DROs)—no changes.

**Rule 16:** Defined Contribution Plan—creates a new series of rules to provide administrative structure for the Defined Contribution (DC) Plan PERA will begin offering to eligible new State employees hired on or after January 1, 2006. These proposed rules have been shared with the State Defined Contribution Retirement Plan Administrator and other State Department of Personnel and Administration officials.

## Employer Contributions on Rehired PERA Retirees

Effective July 1, 2005, PERA-affiliated employers began paying the employer contribution on salaries paid to all PERA retirees. PERA's definition of salary applies to both active and retired members.

The retiree is not required to make contributions, and certain requirements still apply (see below for details on rehiring PERA retirees). File layout formats have been placed in the secured section of the PERA Web site for your use in reporting this contribution.

### Definition of Salary

As defined in Section 24-51-101(42)(a), Colorado Revised Statutes, "salary" means compensation for services rendered to an employer and includes: Regular salary or pay; any pay for administrative, sabbatical, annual, sick, vacation, or personal leave; pay for compensatory time or holidays; payments by an employer from grants; amounts deducted from pay pursuant to tax-sheltered savings or retirement programs; amounts deducted from pay for a health savings account as defined in 26 U.S.C. Sec. 223, as amended, or any other type of retirement health savings account program; performance or merit payments, if approved by the Board; special pay for work-related injuries paid by the employer prior to termination of membership; and retroactive salary payments pursuant to court orders, arbitration awards, or litigation and grievance settlements. "Salary" does not include: Commissions; compensation for unused sick leave converted at any time to cash payments; compensation for unused sick, annual, vacation, administrative, or other accumulated paid leave contributed to a health savings account as defined in 26 U.S.C. Sec. 223, as amended, or a retirement health savings program; housing allowances; uniform allowances; automobile usage; insurance premiums; dependent care assistance; reimbursement for expenses incurred; tuition or any other fringe benefits, regardless of federal taxation; bonuses for services not actually rendered, including, but not limited to, early retirement inducements, Christmas bonuses, cash awards, honorariums and severance pay, damages, except for retroactive salary paid pursuant to court orders or arbitration awards or litigation and grievance settlements, or payments beyond the date of a member's death.

For additional information contact Rick Larson at 303-832-9550 or 1-800-759-7372, ext 6320 or e-mail [rlarson@copera.org](mailto:rlarson@copera.org).

## Information on Rules for Rehiring PERA Retirees

PERA retiree benefits will be reduced if a 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. Retirees may not return to work on their effective date of retirement, or their retirement benefit will be delayed until the following month.

PERA retirees may work up to 110 days (or 720 hours for hourly work) 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 720 hours limit applies.

## Working after Retirement and Independent Contractors

**Senate Bill 05-073** Section 3 adds a new subsection (4) to C.R.S. §24-51-1102:

"For purposes of this part 11, 'employment of a retiree by an employer' means engagement, hiring, retention, or other use of a service retiree in an individual capacity or of any entity owned or operated by a service retiree or affiliated party by an employer to perform any service as an employee, contract employee, consultant, independent contractor, or through any other arrangement."

Before this new subsection became effective in June of this year, work as an independent contractor was exempt from working after retirement provisions (110 days/720 hours in a calendar year). Beginning on June 2, 2005, in addition to regular employment, which always counted toward the working after retirement limits, the following will also count toward these limits:

- Work by a retiree as an independent contractor for a PERA-covered employer.
- Work by a retiree where the retiree's company, corporation or other entity is technically retained by the PERA-covered employer.
- Work by a retiree who is working for a company, corporation or other entity owned by an affiliated party when the retiree and that company, corporation or other entity is technically retained by the PERA-covered employer.

The phrase "affiliated party" is to be defined by the proposed PERA Rules (see related story on page 1).

Are there others at your employer who would like to receive *Topics*? Please e-mail Candy Olivarri at [colivarri@copera.org](mailto:colivarri@copera.org) to be added to our e-mail distribution list. (Let Candy know your Employer Number in your e-mail.) Previous issues of *Topics* are also available on the PERA Web site on the Employer Info page.

## 2006 Contribution Change Reminders for PERA-affiliated Employers

- Increased employer contribution rates 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 paid to PERA members, those who could select PERA, and PERA retirees who work for a PERA employer on or after January 1, 2006. The AED will increase 0.5 percent in 2007, and then by 0.4 percent of salary annually until it reaches 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.
- The separation of the State and School Division becomes effective January 1, 2006.
- The Municipal Division will become the Local Government Division on January 1, 2006.
- A new defined contribution (DC) plan option for new State employees will be offered by PERA and the State's three DC vendors effective January 1, 2006. 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 one of three State DC plan options. Employees in higher education, and employees of entities that are not part of state government will not have this option.

## 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 \$210,000 for calendar year 2005. There is no limit for employees hired before January 1, 1996. If you have employees who were hired after December 31, 1995, and have an annual salary greater than \$210,000, be sure to stop reporting salary and stop making PERA contributions after the employee has reached the contribution limit.

Read PERA's responses to recent media coverage

Latest News

<https://www.copera.org/PERA/about/latestnews.stm>

## Increased Cost to Purchase Service Credit in November 2005

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 on the date PERA receives a completed application, 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](#) to determine their actuarial rate.

Age Group	State/School & Municipal Division	Troopers	Judges
<b>Current Purchasing Service Credit Rates Through October 31, 2005</b>			
Under age 50	18.1% of HAS	22.85% of HAS	21.75% of HAS
Age 50 and older	22.1% of HAS	26.85% of HAS	25.75% of HAS

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

Members may not purchase more than 10 years of purchased service credit. In order to purchase at the rates currently in effect, a completed application and all required documentation for purchasing must be received at PERA by 4:30 p.m. on October 31, 2005. A postmark of October 31 is not sufficient.

## PERA 401(k) Plan News

Colorado PERA has recently made some improvements to its 401(k) Plan and is continuing to look for ways to make the Plan more appealing to PERA members. The following is some of the latest information on the 401(k) Plan:

- Since July 1, 2005, participants in the PERA 401(k) Plan have been able to invest in the Vanguard Small-Cap Index Fund (ticker symbol VSMAX). The Vanguard Small-Cap Index Fund tracks the performance of the MSCI US Small Cap 1750 Index, a broadly diversified index of stocks of smaller U.S. companies.
- Plan participants who invest in the American Funds EuroPacific Growth Fund are now investing in the "R5" share class instead of "A" shares, giving them a 0.29 percent reduction in fund management fees.
- Helping your employees enroll in the 401(k) Plan has never been easier. Enrollment can be done entirely online, eliminating your need to keep a supply of enrollment kits. Simply guide your employees to [www.copera.org](http://www.copera.org) and then click on "401(k) Plan Enrollment."

### 401(k) Facts

- \$1.2 billion in assets as of June 30, 2005.
- Over 73,000 participants as of June 30, 2005.
- The PERA Growth & Income Stock fund is the most popular fund in the 401(k) Plan, ranked by assets (\$274 million).
- An average of 300 new loans are issued every month.
- More participants are using their accounts to purchase service credit before the cost increases to actuarial rates on November 1, 2005.

- PERA continues to monitor frequent trading activities among Plan participants and is considering various approaches to discourage this activity. Frequent trading raises the various investment fees by increasing transaction costs.

## New Federal Requirement for State and Local Government Employers

State and local government employers who hire employees on or after January 1, 2005, for jobs not covered by Social Security are required to have these employees read and sign *Social Security Form SSA-1945*. Form SSA-1945 explains the potential effects of the Social Security law for employees who work in positions not covered by Social Security. After the employee signs the form, the form should be forwarded to PERA for placement in the member's file.

For additional information, please use this link to the Social Security Web site:

<http://www.socialsecurity.gov/form1945/>

## New Affiliates

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

- City of Lone Tree (April 1, 2005)
- Elizabeth Park and Recreation District (April 1, 2005)
- Y-W Well Testing Association (July 1, 2005)
- South Platte Valley BOCES merged into Centennial BOCES (July 1, 2005)

Five Charter Schools began reporting directly to PERA on July 1, 2005:

- 21st Century Charter School @ Colorado Springs
- Colorado Springs Charter Academy
- James Madison Charter Academy
- Mountain View Core Knowledge School
- Ross Montessori School

## PERACare Update

A total of 25 employers now provide PERACare to their employees. Selection of the PERACare program may occur at any time. For details about benefits and premiums, contact Julie Saad at 303-832-9550, ext. 6405, or email [jsaad@copera.org](mailto:jsaad@copera.org).

Colorado PERA welcomes the latest employer to offer PERACare to its employees—Louisville Fire Protection District.



## Employer Info Web Page

Remember to check the PERA Web site at [www.copera.org](http://www.copera.org) for useful information for PERA-affiliated employers. Employers can check this section for the latest news affecting employers. There is now a link to PERA's most recently updated forms and brochures so you'll know you have the latest PERA information.

## Employer Audits Underway

PERA's Internal Audit Division is currently in the process of conducting audits of PERA employers. Employers to be audited are randomly selected each year to ensure they are following the law and resolve any questions.

## Colorado PERA Contact Information

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

### PERA Employer Representatives

<i>Employer Number</i>	<i>Employer Representatives</i>
1-53, 55-600, 990, 991	Rynee Helmig 303-837-6249
54, 601-989	Annette Cote 303-837-6256

To schedule a meeting or for questions about PERA benefits, please contact your Field Education Representative at PERA:

### PERA Field Education Representatives

<i>Employer Number</i>	<i>Field Education Representatives</i>
1-138	Gordon Steuck 303-863-3855
139-381	Margaret Lincoln 303-863-3809
382-566	Aimee Buchholz 303-863-3706
567-800	Shane Linart 303-863-3861
801-912	Thomas Shofner 303-837-6289
913-999	Dennis Gatlin 303-863-3788

### Attachment:

*Legislative Changes Affecting PERA-Affiliated Employers*

<https://www.copera.org/pdf/5-110.pdf>