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# COLORADO PERA EMPLOYER MANUAL





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# SECTION 1-INTRODUCTION

The Colorado Public Employees' Retirement Association (PERA) was established by Colorado state law in 1931 and provides retirement income and other benefits to its state, school, local government, and judicial members.

## ADMINISTRATION

PERA operates by authority of the Colorado General Assembly and is administered under Title 24, Article 51 of the Colorado Revised Statutes. By state law, the management of PERA is vested in the PERA Board of Trustees.

The Board of Trustees is comprised of 16 Trustees as follows:

- » Four Trustees are elected by members of the School Division.
- » Three Trustees are elected by members of the State Division.
- » One Trustee is elected by members of the Judicial Division.
- » One Trustee is elected by members of the Local Government Division.
- » Two Trustees are elected by retirees.
- » Three Trustees are appointed by the Governor of Colorado and confirmed by the State Senate.
- » The Colorado State Treasurer is an ex officio Trustee.
- » One non-voting, ex officio Trustee from the Denver Public Schools Division.

The Board of Trustees appoints an Executive Director to administer PERA. The Executive Director is responsible for the operations and staffing necessary to invest PERA contributions and pay PERA benefits.

## PURPOSE OF THE *EMPLOYER MANUAL*

To administer its benefits programs, PERA relies upon you to enroll PERA-eligible employees for membership; remit PERA contributions on members' PERA-includable salary; complete necessary forms; and provide other information necessary for the operation of the plan. The purpose of this *Employer Manual* is to provide you with information to accurately and efficiently provide this information to PERA. We thank you for your efforts.

## PERA MISSION STATEMENT

To promote long-term financial security for our membership while maintaining the stability of the fund.

## PERA VISION STATEMENT

To become the retirement plan of choice for all Colorado public employees.

- ▶ This *Employer Manual* provides general information about PERA membership benefits and employer responsibilities related to PERA members and the contribution reporting process. PERA membership rights, benefits, and obligations are governed by Title 24, Article 51, of the Colorado Revised Statutes, and the Rules of the Colorado Public Employees' Retirement Association which take precedence over any interpretations in this *Employer Manual*.

## PERA CONTACT INFORMATION

### Phone

*PERA Employer Relations Hotline (for employers only)*

303-863-3724

1-800-221-2627 ext. 3724

*PERA Customer Service Center*

1-800-759-7372

### Fax Number

303-863-3727

### Email

employerrelations@copera.org

### Mailing Address

PO Box 5800

Denver, CO 80217-5800

### Website

www.copera.org

### Denver Main Office

1301 Pennsylvania Street

Denver, CO 80203-5011

### Denver Main Office Hours (Mountain time)

7:30 a.m.–4:30 p.m. (Monday–Friday)

### Westminster Office

1120 W. 122nd Avenue

Westminster, CO 80234

### Westminster Office Hours (Mountain time)

Monday 7:30 a.m.–4:30 p.m.

Tuesday 7:30 a.m.–4:30 p.m.

Wednesday 1:00 p.m.–4:30 p.m.

Thursday 7:30 a.m.–4:30 p.m.

Friday 7:30 a.m.–4:30 p.m.

### Customer Service Center Hours (Mountain time)

7:00 a.m.–5:30 p.m. (Monday–Thursday)

7:00 a.m.–4:30 p.m. (Friday)



If It Doesn't Have the PERA Logo,  
It's Not PERA

The best information about PERA benefits comes from PERA representatives. There are private companies using the PERA name, or something very similar, to encourage PERA members to come to meetings to learn about their PERA benefits. PERA has a team of Field Education Representatives who can give employers and employees the best and most accurate information about PERA.

PERA is not responsible for any information provided by any vendor or individual not employed by PERA, nor for any materials not originated or distributed by PERA.



## SECTION 2-EMPLOYERS AND COLORADO PERA

PERA currently has over 500 affiliated employers. These employers include the State of Colorado; all school districts; the judicial system; and many municipalities, special districts, public health departments, and other local government entities.

PERA assigns each employer an Employer Number for recordkeeping and communication purposes. If you are unsure of your Employer Number, please contact PERA's Employer Relations team at 1-800-759-7372 ext. 3724 or 303-863-3724.

Each employer is in a PERA division as established under state law:

### » State Division

State employers include the State of Colorado, the General Assembly, any state department, board, commission, bureau, agency or institution, state university, state college, community college, the Colorado Association of School Boards, Colorado Association of School Executives, Special District Association of Colorado, Fire and Police Pension Association, Colorado High School Activities Association, Colorado Water Resources and Power Development Authority, Colorado Consortium for Earth and Science Education, and PERA.

### » School Division

School employers include all school districts, including charter schools (except the Denver Public Schools and associated charter schools), Boards of Cooperative Educational Services (BOCES), Board of Cooperative Services (BOCS), and vocational schools.

### » Local Government Division

Employers include any city, municipality, county, housing authority, special district, library district, regional planning commission, public hospital, county, district health department, or local public agency other than the State of Colorado.

### » Judicial Division

All judges of the Supreme, Appeals, District, and County Courts, and Denver Probate and Juvenile Courts.

### » Denver Public Schools (DPS) Division

Employers include the DPS and all charter schools chartered through DPS.

## EMPLOYER RESPONSIBILITIES

The rights and obligations of PERA members and employers are governed by Colorado state law and PERA Rules. We encourage you to have current copies of both *PERA Law* and *PERA Rules* which can be ordered or downloaded from the PERA website.

It is the responsibility of PERA employers to do the following:

- » Enroll employees in PERA membership as required by Colorado state law. Section 3 of this *Manual* explains employees who are eligible for membership, those for whom membership is optional, and those employees exempt from membership.
- » Remit PERA member and employer contributions on salary subject to PERA contributions and life insurance premiums in a timely manner. Section 4 of this *Manual* explains PERA's electronic reporting process called Secure Transmission And Reporting System (STARS).
- » Provide PERA with employment, salary, and other related information for current members and former members so that PERA can make accurate determinations under Colorado state law concerning member's benefit entitlements. Section 5 of this *Manual* explains information which PERA may require in these situations.
- » Provide PERA with information necessary to process retirement benefits, disability benefits, and survivor benefits in a timely and accurate manner. Sections 7, 8, 9, and 10 of this *Manual*, respectively, explain PERA's retirement process, working after retirement, disability process, and survivor benefit process.

▶ For questions about STARS or STARS training, please contact the Employer Relations team at 1-800-759-7372 ext. 3724, 303-863-3724, or [employerrelations@copera.org](mailto:employerrelations@copera.org).

## RESOURCES FOR EMPLOYERS

PERA has dedicated staff ready to assist employers in complying with these requirements. In addition, we have a variety of publications that provide information and assistance to employers. Publications can be ordered by contacting PERA or from PERA's website.

### PERA Employer Representatives

PERA Employer Representatives (ERs) within PERA's Benefit Services Division are assigned to assist employers with any questions about our electronic contribution reporting system (STARS), salary, and membership. ERs also serve as your primary contact for questions about PERA.

PERA's Employer Relations team provides on-site training workshops on important and timely employer-based topics. Topics include:

- » PERA-includable salary
- » STARS reporting and navigation
- » Working after retirement
- » PERA forms
- » PERA 101 for employers

► Contact your Employer Representative for further information on these topics.

### PERA Field Education Representatives

PERA's Field Education staff conduct a variety of informational meetings for members at various stages in their careers. In addition to the meeting types listed to the right, a Field Education Representative can also set up information programs for your employees. Employers may request an on-site training meeting through their Field Education Representative—there is no charge for this service. This training may be conducted by Field Education, Employer Representatives, or both. If you feel such a meeting would be helpful, please contact your Field Education Representative.

**General Active Meetings:** You may request that an on-site presentation be made to your employees covering PERA's entire benefit program or any PERA benefits-related topic. These meetings can be organized as a new employee orientation, a general active meeting, a "PERA—Early in Your Career" meeting, a pre-retirement planning session, or an employment termination meeting. The length of any of these meetings is determined by the employer.

**Information Tables:** Employers may request that PERA representatives staff on-site information tables at any time or at in-service days, staff orientation days, tax-deferred investment planning sessions, and other events.

**Member Meetings:** PERA hosts informational meetings around the state throughout the year. Employers are asked to publicize these meetings and encourage their employees to attend. Descriptions for these sessions can be found at [www.copera.org](http://www.copera.org) or in the semi-annual *Schedule of Colorado PERA Meetings* mailer. The following meetings are offered:

- » Benefit Information Meetings
- » Get Help with Retirement Forms
- » Group Workshops
- » Purchasing Service Credit Meetings
- » PERACare and Medicare Meetings
- » PERACare Information Meetings
- » PERAPlus Meetings
- » Retirement Process Meetings

► To find which PERA Employer Representative and Field Education Representative are assigned to your organization, use the "PERA Employer Number Search" on the Employers/login page on [www.copera.org](http://www.copera.org). Simply choose your organization from the employer drop-down menu or search by employer number.

### PERAPlus 401(k)/457 and PERA DC Plans

Jeffrey Cable, Defined Contribution Manager  
303-837-6217, [jcable@copera.org](mailto:jcable@copera.org)

Neil Ikerd, Defined Contribution Analyst  
303-837-6238, [nikerd@copera.org](mailto:nikerd@copera.org)

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303-863-3795, [apippin@copera.org](mailto:apippin@copera.org)

### Compliance Team

Jessica Campbell, Compliance Analyst  
303-398-7641, [jcampbell@copera.org](mailto:jcampbell@copera.org)

Derek Dye, Compliance Manager  
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303-863-3894, [jdeverna@copera.org](mailto:jdeverna@copera.org)

Aaron Taylor, Compliance Analyst  
303-398-7644, [ataylor@copera.org](mailto:ataylor@copera.org)



## Publications

PERA publishes a variety of brochures, booklets, and fact sheets to provide information on PERA benefits and programs. All PERA publications can be found on the PERA website. PERA also publishes a *Member Report* newsletter three times a year, which is mailed to all active and vested inactive members (those with more than five years of service credit). A *Retiree Report* newsletter is published twice a year and mailed to all benefit recipients. Inactive PERA members receive an *Inactive Member Newsletter*, which is mailed once a year. In addition to these newsletters, *Topics*, a newsletter for PERA-affiliated payroll/personnel staff, is published electronically as needed to inform employers of specific issues.

Each June, PERA publishes a *Comprehensive Annual Financial Report (CAFR)*, which contains financial statements, investments, actuarial, and statistical information. A *Summary Annual Financial Report* is mailed to all members and benefit recipients. Each employer receives a copy of the *CAFR* and the *Summary*.

PERA staff can also provide informational articles about PERA and its benefits for employer newsletters. Please contact your Field Education Representative if you are interested.

Each year, all active members and vested inactive members receive an individualized *Annual Member Statement*. *Statements* are sent about two months after the member's anniversary date of PERA membership. The *Statement* includes the balance of the member's contribution account, account service credit, salary reported to PERA, and other information about benefits. The *Statement* is also available online for those members who have a User ID and password to access their secured account information.

PERA's website also has a variety of information about PERA and its benefits. Publications and forms may also be ordered or downloaded through the site. The site also has several calculators to help members develop financial plans.

The Employers section on the PERA website has a variety of useful information such as current issues of *Topics*, current contribution rates, and a listing of affiliated employers.



## SECTION 3-MEMBERSHIP IN COLORADO PERA

For most employees of PERA employers, PERA membership is a substitute for Social Security. A small number of PERA employers have both PERA and Social Security. Membership is required for most employees of PERA employers except in those cases where PERA membership is optional or where PERA membership is not allowed.

### REQUIRED MEMBERSHIP

State law requires PERA membership as a condition of employment for the following employees who are not PERA retirees returning to work as a retiree:

- » All employees who work for PERA employers in positions that require coverage (includes all full-time, part-time, temporary, seasonal, and substitute employees).
- » An employee of a PERA employer who previously worked in a position covered by another retirement program and transferred to a new position where PERA membership is required, either at the same employer or at another employer, must be covered upon beginning the new position.
- » An employee of a PERA employer who works in a position covered by another retirement program and concurrently works in a second position where PERA membership is required, either at the same employer or at another employer, must be covered by PERA for the PERA-covered position only.
- » An employee of a PERA employer who works in a position which is ineligible for PERA coverage and transfers to a new position where PERA membership is required, either at the same employer or at another employer, must be covered by PERA upon beginning the new position.
- » An employee of a PERA employer who works in a position which is ineligible for PERA coverage and concurrently works in a second position where PERA membership is required, either at the same employer or at another employer, must be covered by PERA for the PERA-covered position only.

### RETIREMENT CHOICE FOR ELIGIBLE STATE AND COMMUNITY COLLEGE EMPLOYEES

#### PERAChoice

PERA has two types of plans: a Defined Benefit (DB) Plan and a Defined Contribution (DC) Plan. PERAChoice is the option to choose between these two Plans and is available for eligible new State and community college employees. The PERA DB Plan is the traditional retirement plan, where contributions are invested for the members by professionals and where the member retires with a lifetime monthly benefit based on years of service, age, and Highest Average Salary (HAS). The PERA DC Plan is the 401(k)-style plan where investments are directed by the member to a variety of fund options and the member's account balance will determine the amount they will receive in retirement.

A new employee may be eligible to participate in PERAChoice and choose their Plan if he/she is one of the following employees:

- » A State of Colorado employee hired on or after January 1, 2006.
- » A community college employee hired on or after January 1, 2008, at one of the institutions listed below.

#### ► Community colleges eligible to participate in PERAChoice:

- » Arapahoe Community College
- » Colorado Community College System
- » Colorado Northwestern Community College
- » Community College of Aurora
- » Community College of Denver
- » Front Range Community College
- » Lamar Community College
- » Morgan Community College
- » Northeastern Junior College
- » Otero Junior College
- » Pikes Peak Community College
- » Pueblo Community College
- » Red Rocks Community College
- » Trinidad State Junior College

To be eligible to choose which Plan to participate in, a new State or community college employee:

- » Must not be currently working for a PERA employer.
  - » Must have a 12-month break in service if previously employed by a PERA employer. (If contributions have been received in the last 12 months, the employee must participate in the Plan in which they previously participated.)\*
  - » Must not be a PERA retiree unless serving as an elected official. (The term PERA retiree includes retirees of the Denver Public Schools Retirement System who retired prior to January 1, 2010, and retirees under the DPS benefit structure after January 1, 2010.)
- \* As of January 1, 2010, employment with DPS is counted toward the 12-month look-back even if the employment period occurred prior to January 1, 2010.

Employees have 60 calendar days after being hired to select a plan. If no election is made within 60 calendar days, PERA DB coverage is required. The employer, not PERA, is responsible for ensuring that an eligible employee is given the opportunity to elect a Plan within 60 days of hire.

If an employee previously made an election (or was placed in the DB Plan because no election was made), terminated employment, and was rehired within 12 months of termination, the employee resumes coverage in the previous retirement plan. If an employee has previously made an election (or was placed in the DB Plan because no election was made), terminated employment, and was rehired more than 12 months after termination, the employee is able to re-elect between both Plans.

New employees eligible for PERAChoice are encouraged to contact PERA to discuss these Plans. PERA also has information on its website to assist its employers who have employees eligible for retirement program choice. To determine if a new employee is eligible for PERAChoice, use PERA's online "SSN Verification" tool in STARS or contact your Employer Representative.

## OPTIONAL MEMBERSHIP

Under state law, certain employees may choose PERA DB Plan coverage or coverage under another retirement program. These include the following employees:

- » Elected members of the General Assembly may choose, within 60 days of beginning employment, to become a member of either PERA's DB Plan or PERA's DC Plan. If an election is not made within the 60-day period, the employee will become a member of PERA's DB Plan.
  - Only elected members of the General Assembly who took office before January 1, 2006, have the option on an annual basis to change their retirement program election. Elected members of the General Assembly who took office on and after January 1, 2006, do not have this annual option.
  - A member of the General Assembly who served as a legislator prior to July 1, 1967, will be granted service credit for such prior service upon becoming a member of PERA if the legislator had not elected to be exempt from membership during any period of legislative service prior to establishment of membership.
- » Elected State Officials may choose, within 60 days of beginning employment, to become a member of either PERA's DB Plan or PERA's DC Plan. If an election is not made within the 60-day period, the employee will become a member of PERA's DB Plan.
  - Only elected State Officials who took office before January 1, 2006, have the option on an annual basis to change their retirement program election. Elected State Officials who took office on and after January 1, 2006, do not have this annual option.
- » Certain Colorado institutions of higher education as listed on page 9, have the authority to establish an Optional Retirement Plan (ORP) pursuant to C.R.S. § 24-54.5-101 *et seq.*, for their eligible faculty and administrators, as defined under C.R.S. § 24-50-135. Individuals hired into ORP-eligible positions who are PERA members or inactive members with at least one year of PERA service credit must make a one-time irrevocable election to be covered by PERA or by the ORP within 30 days of the date of hire. If no election is made within 30 days, ORP coverage is required. Please contact your Employer Representative to determine whether a new hire has one or more years of PERA service credit.



For more information, review or order the *PERAChoice Brochure* available online.

Such election or default cannot be later changed and applies to all Colorado institutions of higher education that have implemented ORPs. See "Ineligible for Membership" on page 10 for those individuals who are not PERA members or who are PERA members with less than one year of PERA service credit.

► **Institutions of higher education with an ORP:**

- » Adams State University
- » Colorado Mesa University
- » Colorado Mountain College
- » Colorado State University
- » Colorado State University–Pueblo
- » Fort Lewis College
- » Metropolitan State University of Denver
- » University of Northern Colorado
- » Western State Colorado University

- » The University of Colorado has the authority to establish a University of Colorado Retirement Plan for administrators, faculty, and other professionals exempt from the state personnel system at the University pursuant to C.R.S. § 23-20-139. Individuals hired into such positions at the University of Colorado who are PERA members or inactive members must make a one-time irrevocable election to be covered by PERA or the University's Plan within 30 days of the date of hire. If no election is made within 30 days, PERA coverage is required. See "Ineligible for Membership" on page 10 for those individuals hired who are not PERA members or inactive members.
- » City managers and key management staff who report directly to the city manager or the city council of a PERA municipality as well as any elected official of the municipality must make a one-time irrevocable written election to be a PERA member or to be exempted from membership within 60 days of taking office or the date of hire. If no election is made within 60 days, PERA coverage is required.
- » District Attorneys who have not made an election within 60 days to participate in PERA's DC Plan pursuant to C.R.S. § 24-51-1502(1) shall become members of PERA's DB Plan. Up to five years of service credit shall be granted for public service as a District Attorney prior to January 11, 1977, if the District Attorney did not elect exemption from membership upon first becoming eligible for membership.

- » The boards of County Commissioners within a Judicial District have the authority to allow choice between PERA's DB Plan or PERA's DC Plan for the Assistant District Attorney, the Chief Deputy District Attorney, and Deputy District Attorneys.

If an Assistant District Attorney, Chief Deputy District Attorney, or Deputy District Attorney was hired into his/her position before the County Commissioners made the decision allowing retirement plan choice, the individual has 60 days from the date such decision was made to make a one-time irrevocable election to be covered by PERA's DB Plan or PERA's DC Plan. If no election is made within 60 days, the individual remains under his/her existing retirement program.

If an Assistant District Attorney, Chief Deputy District Attorney, or Deputy District Attorney is hired into his position on or after the date the County Commissioners made the decision allowing retirement plan choice, the individual has 60 days from the date of hire to make a one-time irrevocable election to be covered by PERA's DB Plan or PERA's DC Plan. If no election is made within 60 days, the individual is covered by PERA's DB Plan.

- » The boards of County Commissioners within a Judicial District have the authority to establish PERA's DB Plan or PERA's DC Plan as the retirement program for other employees of a District Attorney. This requires an approval by 65 percent of employees.
- » If the board of County Commissioners does not select a retirement program, then the employees of the District Attorney shall not become members of PERA's DB Plan or PERA's DC Plan. No more than one election may be made in a Judicial District in any calendar year. If the boards of County Commissioners determine that the employees shall become members of the DB Plan, then no employee of the District Attorney shall participate in the DC Plan. If the boards determine that the employees shall participate in the DC Plan, then no employee shall become a member of the DB Plan.
- » If an employee of a District Attorney was hired into a position before the date a retirement program was established, the individual has 60 days from the date such decision was made to make a one-time irrevocable election to be covered by PERA's DB Plan or PERA's DC Plan. If no election is made within 60 days, the individual remains under his/her existing retirement program.

- » If an employee of a District Attorney is hired into a position on or after the date a retirement program was established, the individual must be covered by the retirement program which was established.

If an employee has the option of participating in PERA, but elects not to become a PERA member, the PERA employer is required to remit to PERA the appropriate AED and SAED contributions on such an employee's salary.

▶ Section 4 of this *Manual* covers reporting contributions to PERA in greater detail.

## INELIGIBLE FOR MEMBERSHIP

State law specifies certain employees who are ineligible for PERA membership. These individuals cannot be covered by PERA and PERA employers cannot offer PERA coverage to individuals in these positions.

- » Certain Colorado institutions of higher education have the authority to establish ORPs pursuant to C.R.S. § 24-54.5-101 *et seq.*, for their eligible employees as defined under C.R.S. § 24-50-135. Individuals hired into ORP-eligible positions who are not PERA members or inactive members or who are PERA members or inactive members, but have less than one year of PERA service credit must be covered by the ORP. Such coverage cannot be later changed and applies to all Colorado institutions of higher education that have implemented ORPs.
- » Effective January 1, 2011, PERA retirees who return to work in an ORP-eligible position have the option to choose PERA or the ORP. Retirees who choose PERA are allowed to suspend their PERA retirement and return to PERA membership. See Section 8 of this *Manual* for more information relating to this post-retirement employment.
- » The University of Colorado has the authority to establish a University of Colorado Retirement Plan for administrators, faculty, and other professionals exempt from the state personnel system at the University of Colorado pursuant to C.R.S. § 23-20-139. Individuals hired into such positions at the University of Colorado who are not PERA members or inactive members must be covered the University's Plan. Such coverage cannot be later changed and applies to all future employment eligible for participation in the University of Colorado's Plan.
- » Student employees employed by and enrolled in an undergraduate or graduate program at a state college or university or by a public employer affiliated with a state college or university, including Auraria Higher Education Center, when such employment is predicated on student status, whether or not required by federal law to be covered by a public employee retirement system or Social Security, are not eligible to participate in PERA.
- » Student employees who are enrolled and regularly attending classes in a school district that is employing them are not eligible to participate in PERA if employment is predicated on their student status. **However, if the student is employed during the summer months while not attending classes or if the student has graduated from high school, PERA membership is required by law.**
- » Employees who are not required by federal law to be covered by a public employer retirement system or Social Security are not required to participate in PERA. This includes F-1, M-1, and J-1 visa holders. (Individuals who hold visas other than those listed above should be enrolled in PERA.)
- » Certain Colorado State University faculty and employees of the Extension Service who are employed in a cooperative work program with the U.S. Department of Agriculture and who are required to participate in the federal civil service retirement system.
- » Police officers and firefighters covered by an existing retirement system pursuant to Colorado laws, unless the police officer or firefighter is hired in a position that requires PERA membership.
- » Employees of a nonprofit public hospital, long-term care facility, or health care facility that was previously affiliated with PERA who were hired after the sale, lease, or transfer of the hospital.
- » PERA Local Government Division employees whose positions were covered under Social Security only as of November 5, 1990, and employees in similar positions created later by these employers.
- » Independent contractors and consultants who engage in contractual services with a PERA employer. Please see the IRS Revenue Ruling 87-41 for details. (An excellent resource explaining IRS Revenue Ruling 87-41 is IRS Publication 963, which explains who qualifies as an independent contractor.)



## Independent Contractors and PERA Membership

Under state law, independent contractors are excluded from PERA membership. It is the employer's responsibility to determine if an individual performing services is an independent contractor or an employee.

Independent contractor status is defined by the IRS under Revenue Ruling 87-41. In order for an individual to be classified as an independent contractor, the employer must ensure compliance with this regulation. An employer who has individuals providing services as independent contractors should be familiar with this regulation. IRS Publication 15-A explains this classification further.

If an employer classifies an individual as an independent contractor and it is later determined that the individual was an employee, the employer can be held liable for back taxes, benefits, and penalties. One of those liabilities is PERA membership. When an individual classified as an independent contractor is later determined to be an employee, PERA must assess employer and member contributions on salary paid during the time the individual provided the services while incorrectly classified as an independent contractor. In addition to employer contributions, the employer is also responsible for payment of interest on the employer and, in some cases, member contributions due.

Because of the liabilities which can result from an incorrect classification of an individual as an independent contractor, PERA encourages its employers to be familiar with and comply with the IRS requirements for this classification. PERA staff cannot provide an employer with tax advice including determinations of independent contractor status. However, in cases which are brought to PERA where incorrect classification is suspected, PERA staff must investigate the situation in order to properly resolve the matter.

▶ See Section 8 of this *Manual* for information regarding retirees and independent contractor status.

## EMPLOYER RESPONSIBILITIES

To enroll new and transferring employees in PERA, the employee must complete a *PERA Member Information Form–Defined Benefit Plan(s)*. This form can also be used by the employee to change information PERA already has on record such as name, address, or named beneficiary. Once enrolled in PERA, contributions should be remitted as explained in Section 4 of this *Manual*.

PERA may ask for additional information to determine membership status or benefit eligibility. This includes, but is not limited to:

- » Changes in employment status as a result of transfer, promotion, leave of absence, resignation, dismissal, reinstatement, or death.
- » Certification of previous employment status for periods during which service credit is in question.
- » Pay patterns and work patterns.
- » Other information required to determine service credit or benefits payable.

### Retirement Choice

As discussed under the membership explanations in this section, some employees must be covered by PERA, some employees will have a choice of retirement programs, and some are excluded from PERA membership. All of these options are controlled by Colorado state law and in some cases, by federal law. Please contact your Employer Representative if you are unsure which option applies to your employees.

It is your responsibility to correctly enroll your employees in PERA or in one of the alternate retirement programs and to ensure your enrollment complies with applicable laws. Similarly, it is also your responsibility to ensure that employees or other workers who are not eligible for PERA are not enrolled in PERA.

PERA strongly encourages employers to know these laws and to comply because the consequences to an employer and to an individual enrolled in an improper plan can be severe.

Under state law, PERA cannot allow PERA membership to individuals who do not, under statute, have the right to such membership. In those instances where PERA determines that employees have improperly been enrolled in PERA membership, PERA must take action to unwind the membership, return all contributions and other payments made to PERA, and, if necessary, recover any benefits paid.

Similarly, if the statute requires that an individual be covered by PERA but he/she was not given membership by his/her employer, PERA must take steps to correct that situation. This process is called unpaid contributions.

### Unpaid Contributions

When it appears that an employee should have been covered by PERA but was not, either by act of the employer or by oversight of the employer, PERA must investigate the situation in order to determine if membership should have been provided as required by statute. As a part of the investigation process, an Employer Representative or Compliance Analyst will ask you to provide information which may include the following:

- » The position or title the individual held.
- » The dates of employment.
- » The salary earned for such employment (preferably broken down by month) and/or employee's rate of pay (hourly, monthly, daily).

Based upon this information, PERA will determine if membership should have been provided. If this is the case, PERA will assess the employer contributions due on the salary earned for the employment that was not covered plus interest on those contributions. Once employer contributions and interest on those contributions are paid, PERA will bill the employee for the member contributions due for the employment that was not covered. The employee has up to one year to activate their portion of the agreement and may pay over a specified period of time. The employer will then be billed for the interest due on the member contributions.

### Retirees Returning to Work

Many PERA retirees will opt to return to work for a PERA employer. Such post-retirement work is regulated by state law and PERA Rules. Employer and working retiree contributions are due on compensation paid to a PERA retiree for performing services for a PERA employer, including a retiree who returns to work as an independent contractor.

Some PERA retirees will opt to suspend their retirement and return to PERA membership. In that case, the retiree should be enrolled in PERA as previously discussed.

## MEMBER RESPONSIBILITIES

It is the member's responsibility to keep PERA informed of any member, spousal, address, or beneficiary changes to his/her PERA account. This information is updated by completing the appropriate section on the *PERA Member Information Form—Defined Benefit Plan(s)* or by contacting PERA's Customer Service Center.

## CONFIDENTIALITY OF MEMBER INFORMATION

By law, all information contained in records of members, former members, inactive members, and benefit recipients and their dependents is kept confidential by PERA.

PERA does not disclose any information about member accounts to anyone other than the member without the member's written authorization. PERA's *Authorization to Release Information* is a general release that allows PERA to provide information about a member's PERA account to specific individuals/entities. To release health care information for PERA members and/or benefit recipients enrolled in PERACare, an *Authorization to Use and/or Disclose Personal Health Information* needs to be on file at PERA.

▶ Section 8 of this *Manual* covers working after retirement in greater detail.

## SECTION 4-REPORTING CONTRIBUTIONS

PERA is not a “pay-as-you-go” system. Rather, benefits are funded on an actuarial reserve basis. PERA is a contributory pension plan with both employers and members sharing the cost of funding PERA’s benefits through their contributions.

The primary sources of funds to pay PERA’s benefits are approximately as follows:

- » 60 percent from investment income.
- » 20 percent from employer contributions.
- » 20 percent from member contributions.

### EMPLOYER CONTRIBUTIONS

Employers contribute a percentage of their total PERA-includable salary based upon the division to which the employer is assigned. Employer contributions are credited to the divisional employer reserve to which the employer is assigned and not to individual member accounts. Employer contributions are used to fund PERA’s benefit liability for all members, not for an individual member.

A portion of the employer contribution (1.02 percent of payroll) is credited to the PERA Health Care Trust Fund to pay health care premium subsidies for benefit recipients enrolled in the PERACare Health Benefits Program.

- For detailed information on current contribution rates, refer to the *PERA Contribution Rates Fact Sheet* or visit the employer section of PERA’s website at [www.copera.org](http://www.copera.org).

### AED and SAED

In 2004 and 2006, legislation was passed that required employers to remit additional contributions to PERA. These additional contributions are the Amortization Equalization Disbursement (AED) and Supplemental Amortization Equalization Disbursement (SAED). The AED is an additional amount contributed by PERA employers that has gradual increases. The SAED is also an amount contributed by employers and is, to the extent permitted by law, to be funded by monies otherwise available for employee wage increases.

For example, if an employer has 3.5 percent of salary available for employee pay raises, 0.5 percent is

diverted to the SAED and only 3.0 percent is available for pay increases. For State Division employers, an amount equal to one-half of 1 percent of total salary is to be used to fund the SAED; for employers in the School, Local Government, and Judicial Divisions, the SAED is to be funded by a reallocation of funds to be used for salaries or other compensation to employees. Even if no pay increases will be made to your employees, you are still required to pay the SAED. The SAED may not be deducted from an employee’s pay.

The AED and SAED, based on the total payroll of PERA members and employees who can elect either PERA or another plan (regardless of the plan elected), are designed to reduce PERA’s unfunded liability and amortization period.

The AED and SAED for the School, DPS, and State Divisions are slated to adjust based on the year-end funded status of each division, with decreases mandated when the division’s year-end funded status reaches 103 percent and increases mandated when the division’s funded status reaches 103 percent and subsequently falls below 90 percent.

The AED and SAED for the Local Government and Judicial Divisions are slated to adjust based on the year-end funded status of each division, with decreases mandated when the division’s year-end funded status reaches 103 percent. Increases in the AED and SAED are mandated when the division’s trust fund reaches 90 percent funded and subsequently falls below 90 percent. As provided under Senate Bill 10-001, the AED and SAED for the Local Government and Judicial Divisions have been capped at the 2010 levels—2.20 percent (AED) and 1.50 percent (SAED).

The AED and SAED contributions will be automatically calculated when the Summary Sheet is completed and submitted with the STARS report.

- » The contribution rate is calculated based on the pay period end date. For example: if the pay period for your employee is December 26, 2014, through January 8, 2015, the contribution rate for this period would be calculated using 2015 figures.
- » The AED and SAED are paid on the total payroll for all employees who work for PERA employers. This includes the following employees:
  - All individuals reported on the PERA Contribution Report under the DB Salary Column.

- Any retiree who performs services for a PERA employer either as a direct hire, independent contractor, or through an affiliated party. See Section 8 in this *Manual* for additional information on working after retirement.
- Any individual hired on or after January 1, 2006, who had the choice between PERA and another retirement plan and elected to participate in the other retirement plan. Section 3 in this *Manual* has further information on membership.



See the *Using STARS* guide for more information on accessing STARS.

## MEMBER CONTRIBUTIONS

Most PERA members are required to contribute 8 percent of their PERA-includable salary to PERA. Colorado State Troopers and Colorado Bureau of Investigation Agents contribute 10 percent. Member contributions are credited to individual member contribution accounts maintained by PERA.

Member contributions are tax-deferred pursuant to § 414(h) of the Internal Revenue Code and therefore not considered taxable income for federal and Colorado state income tax purposes until they are received through a refund or a monthly benefit. (federal taxes have been deferred since 1984 and state taxes have been deferred since 1987.)

Members earn tax-deferred interest on the member contributions. The interest rate is set by the PERA Board and is subject to change annually. Currently, the interest rate is 3 percent.

## WORKING RETIREE CONTRIBUTIONS

Employer contributions, including the AED (effective January 1, 2006) and SAED (effective January 1, 2008), must be remitted on salary paid to a retiree who has returned to work for a PERA-affiliated employer.

Effective January 1, 2011, retirees who return to work are required to make contributions at the same rate as members. Such working retiree contributions are nonrefundable and will not accrue a benefit or be deposited into the member account.

- » For the purposes of reporting salary for retirees returning to work, the same definition of salary applied to defined benefit salary is used. See “PERA-Includable Salary” to the right.

- » For all retirees performing services as an employee, the employer will remit the employer contributions and working retiree contributions.
- » For all retirees performing services for the employer as an independent contractor or through an affiliated party, the employer will remit the employer contributions and notify PERA of such arrangement. PERA will offset the retiree’s retirement benefit to collect any working retiree contributions due.

## PERA-INCLUDABLE SALARY

Colorado state law at C.R.S. § 24-51-101(42) and PERA Rule 1.20.F. define forms of compensation which are includable as salary for PERA purposes and subject to PERA contributions and those forms of compensation which are excluded from PERA salary and not subject to PERA contributions.

### Compensation Subject to Contributions

- » Regular salary and 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, **only if approved by PERA pursuant to PERA Rule 1.20 F(3). See “Performance or Merit Payment Plans” on page 16.**
- » Special pay for work-related injuries paid by the employer prior to termination of membership.
- » Retroactive salary payments pursuant to court orders, arbitration awards, or litigation and grievance settlements. See “Settlements” on page 15.
- » Certain one-time payments (see page 16.)

### Compensation Not Subject to Contributions

- » Commissions.
- » Compensation for unused sick leave converted at any time to cash payments. Note, however, that non-sick leave payouts may be subject to contributions. See “Accrued Leave Payments” on page 15.
- » 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 allowances or usage values, 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, arbitration or litigation, and grievance settlements.
- » Payments earned beyond the date of member's death.
- » Employer provided fringe benefits converted to cash payments in lieu of employer payment for the fringe benefits.

### **Employees Participating in Tax-Deferred or Roth Investment Plans**

Amounts deducted from an employee's pay for participation in 401(k) plans, 403(b) tax-sheltered annuities, and 457 deferred compensation plans do not reduce PERA-includable salary. Employer contributions on behalf of employees to these plans do not increase PERA-includable salary.

### **Employees Participating in Section 125 Plans**

Employers may establish a plan under Internal Revenue Code (IRC) Section 125, known as 125 plans, cafeteria plans, or flexible spending accounts. A Section 125 program allows an employee to direct a portion of their salary to purchase benefits such as health and dental care, life insurance, or child care. Some employers also provide a reduction in salary for commuter and parking expenses in accordance with the Transportation Equity Act (TEA). Except for contributions to a health savings account (HSA), amounts directed to a Section 125 plan or TEA deduction plan reduce PERA-includable salary. If an employee takes cash in lieu of benefits under a bona fide Section 125 plan, such cash amount is includable as PERA salary. Cash in lieu of benefits outside of a bona fide Section 125 plan does not increase PERA salary.

A result of participating in a Section 125 or a TEA deduction plan is that the salary on which an employee pays federal and state income tax is reduced. Likewise, the money for these plans is not included in the salary on which PERA contributions are calculated.

### **Accrued Leave Payments**

Payments by an employer in satisfaction of amounts owed for accrued but unused leave, other than sick leave, will be treated as PERA-includable salary pursuant to C.R.S. § 24-51-101(42) if the following criteria are met:

- » The payment by the employer of the accrued leave is made in a lump sum at the termination of the member's employment or in periodic payments after severing employment and not at the election of the member;
- » The accrued leave payments are paid at a rate not to exceed the member's most recent rate of pay; and
- » The payment is for accrued leave earned by the member pursuant to an established employer policy or employment contract and not as a result of a retroactive grant or an award by the employer.

If each of the above criteria is met, the accrued leave payment will be treated as salary in calculating service credit and HAS for retirement by applying the payment over as many months as possible at the member's most recent monthly rate of pay. Additional service credit for these months will be included in the retirement benefit calculation. These months may also be used in the HAS calculation.

An annual lump-sum payment of accrued leave, other than sick leave, paid because the individual has accrued in excess of the maximum accumulation allowed by the employer's established leave policy shall be included as PERA salary in the month paid.

No other payments for accrued leave, whether as a lump sum or paid over time, shall be included as PERA salary.

### **Settlements**

Under the statutory definition of PERA salary, retroactive salary payments made to an employee or to groups of employees pursuant to a court order, an arbitration award, or a litigation or grievance settlement are includable as PERA salary. Retroactive salary payments are credited back to the months in which they should have been earned and are subject to the employer and member contribution rates in effect for that month. Additionally, the employer is responsible for the payment of interest retroactive to those months.

As a result, PERA needs detailed information in order to properly handle a retroactive salary payment. If you are entering into negotiations which may result in a retroactive salary payment, please contact PERA's Legal Services Division well in advance of finalizing any settlement to ensure that you have correct and complete information with regard to PERA.



PERA will not allow any settlement agreements to be made which adversely impact the financial status of the plan. An example of such an agreement is one which artificially allows the accrual of earned service credit by paying an individual a minimal salary amount over a period of time rather than the normal and usual salary which would be earned.

### Performance or Merit Payment Plans

Some PERA employers have instituted performance or merit compensation or pay plans for their employees in addition to, or as replacements to, the usual and normal employee pay schedule.

It is not PERA's intent to influence, approve, or deny how a PERA employer compensates its employees. However, it is important for PERA to review any performance or merit pay plan or modifications to an existing plan to determine whether payments under the plan constitute PERA-includable salary.

Generally, if there is a requirement in a performance or merit compensation plan that conditions the payment(s) on a subsequent retirement or termination, the moneys paid would be excluded from PERA salary. On the other hand, certain pay for performance may be considered as includable salary.

When reviewing a plan or amendment for performance or merit compensation plans, PERA will consider the following:

- » The written plan.
- » The plan's effective dates.
- » The plan's duration.
- » Eligible employees.
- » Participation criteria.
- » Payment schedule.
- » Duration of payments.

The payment must meet the criteria set forth in PERA Rule 1.20 F(3) in order to be PERA-includable.

Amending a plan upon which PERA has already made a determination requires review of the amendment. This will ensure that the previous determination by PERA on whether the payments are or are not PERA-includable salary is still valid.

To have a plan approved by PERA, a letter and copy of the plan, as well as Board minutes or any other information that documents the plan, should be forwarded to your Employer Representative. Plans should be submitted for approval prior to payment.

- ▶ **Contact your assigned PERA Employer Representative for help in correcting errors in your PERA contribution information.**

### One-Time Payments

Some PERA employers pay one-time, non-base-building payments to their employees as compensation for services rendered. Under C.R.S. § 24-51-101(42), payments made to employees that are actually for services rendered can be PERA salary, but honorariums, cash awards, bonuses, and other payments enumerated in C.R.S. § 24-51-101(42)(b), are not PERA salary.

This Rule sets forth the criteria that must be met in order for one-time payments to be PERA salary. One-time, non-performance, and non-merit based payments paid by an employer will be treated as PERA salary pursuant to C.R.S. § 24-51-101(42) if PERA determines that the following criteria have been met:

- » The payment is a flat-dollar amount or flat percentage to all employees in a particular class without regard to length of service. The class of employees must be a class that the employer regularly uses for purposes of setting base compensation; and
- » The payment was pre-approved by the employer prior to the fiscal/academic year (the amount of the payment does not have to be approved at that time); and
- » The payment is in no way designed to manipulate HAS; and
- » The employer provides PERA with documentation demonstrating its intent that the payment is a salary payment rather than a bonus.

If PERA determines that the above criteria have been met, then the payment will be considered earned in the month in which the payment is made.

If you are considering making a one-time, non-base building payment to your employees, please contact PERA as soon as possible so PERA can review the proposed payment to determine if it is PERA-includable salary. For more information, contact your PERA Employer Representative.

### REPORTING TO THE PERA DEFINED BENEFIT PLAN—STARS

Accurate and timely reporting of salary and contributions to PERA is essential for PERA to invest funds and maintain accurate member account information. For efficiency and accuracy, PERA requires employers to submit salary and contribution information using PERA's electronic reporting system called Secure Transfer And Reporting System (STARS). Using state-of-the-art encryption technology to securely report PERA information, STARS is more secure, efficient, and accurate than paper reporting.



Employers use STARS to report the amount of PERA-includable salary that was paid to each member during each pay period and the contributions due on that salary. In addition, the process also includes remittance of life insurance premiums. Contributions to PERAPlus 401(k)/457 and PERA DC Plan accounts must be remitted to Voya. See “Reporting PERAPlus 401(k)/457 and PERA DC Plan Contributions to Voya” on page 20.

## USING STARS

In order to access the features and functions available in the STARS system, you will need to have an authorized representative from your agency send your Employer Representative a completed *STARS Access Request* form. Please contact your Employer Representative if you have any questions about the process below.

### Purpose of *STARS Access Request* Form

The *STARS Access Request* form is used to give an employer’s staff access to specific areas of STARS. The form ensures that the person requesting access is acting on the authority of the employer. Employees with access to STARS can access the system from any Internet connection and have access to potentially confidential information.

### Key Points

- » Each employer should have at least one designated Superuser. The Superuser is responsible for verifying the access of others and has all levels of access to STARS.
  - The Annual STARS User Review is the process during which the Superusers review all of the employees that have access to the site and their levels of access. The process ensures everything is up to date and access is only granted to appropriate personnel.
- » The form **cannot** be signed by the subject of the form. It is best to have a designated person sign off on STARS forms.
- » User IDs and passwords must be kept **confidential**. Allowing others to use User IDs and passwords compromises PERA security protocol and potentially the employer’s confidential information.

### STARS Location

You can access PERA’s Employer log in from PERA’s website at [www.copera.org](http://www.copera.org). After logging in, choose “Forms” then “STARS Access Request.” See the chart on page 18 for the “STARS Access Request” process.

## Contribution Reporting

Contributions and salary are credited to the specific month in which they were earned. The month is determined by the pay period end date, not the day salary is paid.

Regardless of the payroll cycle, employers must forward to PERA the Contribution Report and the full amount of the employer and member contributions within five business days from the date employees are paid. State law (C.R.S. § 24-51-401 [3]) requires a late-reporting penalty be assessed on late reports and/or contributions.

The contribution reporting process consists of three parts:

1. A Contribution Report that contains member information and is formatted as either a fixed length data file or a spreadsheet.
2. A PERA Contribution Report Summary that lists the total amounts being reported.
3. Payment to PERA for the amounts reported.

***It is critical that the information on a Contribution Report be accurate, ensuring the grand totals are correct. The amount remitted must match the totals on the PERA Contribution Report Summary.***

### Contribution Report (Detail File)

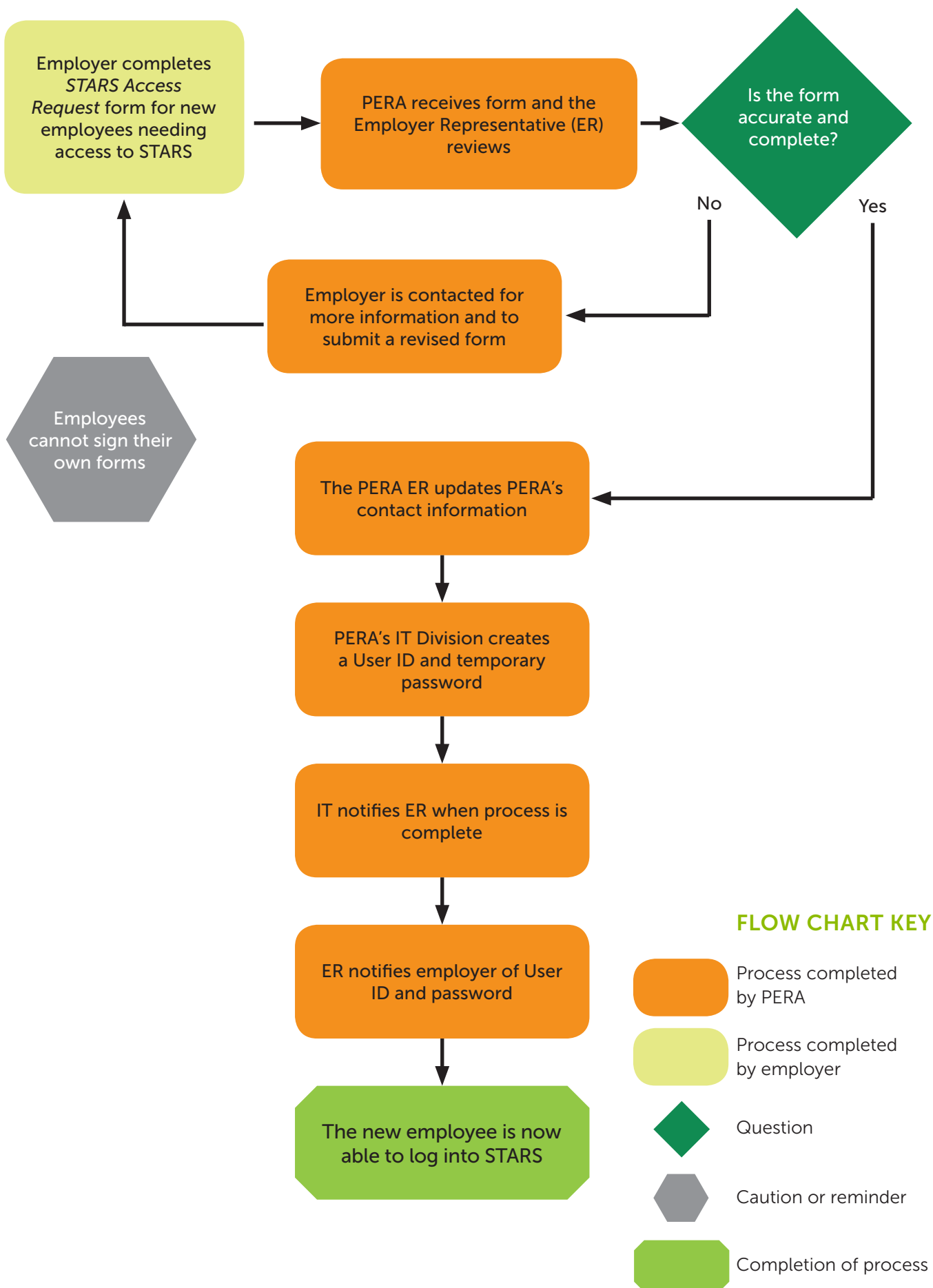
The Contribution Report contains the detailed member, retiree, and AED/SAED information provided by the employer for a particular payroll cycle. This information is then posted to the records that PERA maintains for each member. The detail must match the total remitted amount on the PERA Contribution Report Summary compiled from the Contribution Report.

- » If you have more than 25 employees, you may prefer to prepare an electronic file containing your contribution information. The file can either be an Excel spreadsheet or it can be a flat file. If you have 25 or fewer employees, and do not wish to prepare an electronic file, you can manually key your information into STARS.

### PERA Contribution Report Summary

A PERA Contribution Report Summary must be completed each time a Contribution Report is submitted to PERA. This report contains aggregate information about PERA-includable salary, member, employer, and working retiree contributions, and life insurance premiums compiled from the Contribution Report. See the chart on page 19 for the Contribution Reporting Process.

## STARS ACCESS REQUEST



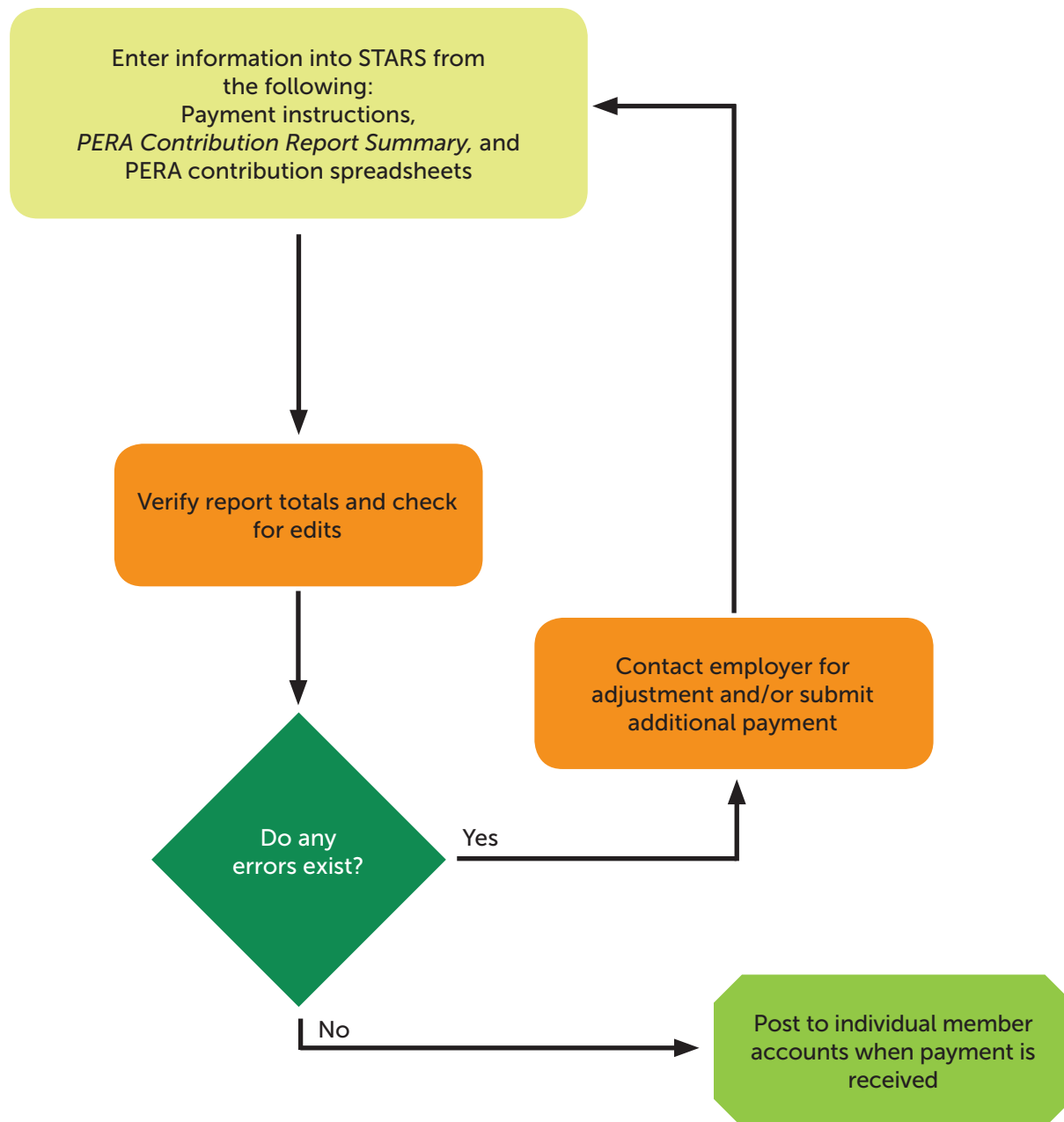
## THE CONTRIBUTION REPORTING PROCESS

### Contribution Reporting

Reporting contributions to PERA is simple using STARS:

- » Log into STARS
- » Navigate using the easy-to-follow instructions
- » Upload data to PERA
- » PERA's Employer Representatives will work with you on adjustments and corrections

STARS provides a user-friendly method for employers to securely transfer contribution reporting information to PERA. It also offers many functions and tools to assist employers. Ask your Employer Representative for a STARS tour.



## Payment of Amounts Due

You may either pay by ACH debit transactions, in which you allow PERA to initiate the transfer after receiving your instructions, or you may pay by wire or ACH credit, where you initiate the transfer.

- » If you choose to pay by ACH debit, your payment will be considered on time if we receive accurate ACH instructions from you by the due date established in state law.
- » If you pay by wire or ACH credit, your transaction must be completed by the due date established in state law.

## Submitting Payment Through ACH Debit Transactions

On a date arranged by you, PERA will initiate an ACH debit from your employer's bank account. When you complete the PERA Contribution Report Summary for each payroll period using STARS, indicate on the final line the amount and date of your ACH.



See the *Using STARS* guide for more information on ACH debit instructions.

## Submitting Payment Through a Wire Transfer

You will need to initiate the transfer of funds from your employer's bank account to PERA's bank account. When you complete the PERA Contribution Report Summary for each payroll period using STARS, indicate on the final line the amount and date of your wire.

## ADJUSTMENTS TO THE PERA CONTRIBUTION INFORMATION

At times, it may be necessary to make an adjustment to information previously submitted to PERA. The process of correcting a Contribution Report should always be completed in coordination with your assigned PERA Employer Representative.

Incorrect information submitted on a previous Contribution Report must be corrected. Complete the following steps to correct your report:

- » Submit corrections on either your own electronic file (fixed length data or spreadsheet file) or by filling out a manual Contribution Report on the STARS system.

- » Enter a new line on the Contribution Report and include the member's name, SSN, and any other required information. Enter the difference between the amount(s) previously reported and the correct amount. For example, if an employee was previously reported as earning \$500 in salary that is later determined as being excluded from PERA salary, the amount entered would be (-500.00) on the correction.
- » Ensure that the change is identified for the payroll period for which it applies. For example, if the change applies to an amount previously reported for a May 2015 payroll period, input "515" as the pay-period ending date for the adjustment regardless of when you send the correction to PERA.
- » Reflect any changes you made on your PERA Contribution Report Summary.

*Note:* You cannot submit a negative adjustment for a former employee who has taken a refund of his/her PERA account. If the member has not yet taken a refund of his/her PERA member contribution account, your PERA Employer Representative must be notified that you intend to make an adjustment so we can prevent the refund from being issued prior to your adjustment being posted.

## REPORTING PERAPLUS 401(K)/457 AND PERA DC PLAN CONTRIBUTIONS TO VOYA

PERA provides its members and retirees who return to work for a PERA employer with the opportunity to make voluntary contributions from earned income to the PERAPLus 401(k)/457 Plans to invest for additional retirement income.

The PERAPLus 457 Plan requires employers to affiliate with the Plan prior to making contributions. Please contact the PERA DC Team at 303-398-7665 for more information on PERAPLus 457 Plan affiliation.

PERA offers employers the ability to add the Roth option to their PERAPLus 401(k)/457 Plans. This option provides employees an opportunity for tax-free retirement income in the PERAPLus 401(k)/457 Plans. In order to allow your employees to make Roth contributions, you will need to adopt the Roth option. To learn more about adopting the Roth option, contact the PERA DC Team.

Certain state and community college employees may elect to participate in the PERA DC Plan instead of participating in the PERA DB Plan as their primary retirement plan.

Contribution limits to the PERAPlus 401(k)/457 Plans are determined by the IRS and are adjusted annually. Refer to the PERAPlus 401(k)/457 and PERA DC Plan Information section on the PERA website for contribution limits and other Plan details.

Since PERAPlus 401(k), 457, and PERA DC Plan participant accounts are maintained separately from PERA DB accounts, separate forms and reporting procedures are used.

An employer who receives a 401(k), 457, or PERA DC Plan form (other than a *401(k) Contribution Authorization Form*) completed by the member should send it to Voya immediately. Late receipt of forms may delay a requested action.



More information on the PERAPlus 401(k)/457 and PERA DC Plans is on the PERA website.

### **Enrolling Members in the PERAPlus 401(k) Plan**

Once an employer receives the *401(k) Contribution Authorization Form*, deductions from a member's pay should begin immediately. Retain the authorization form for your records.

If the member is already enrolled in the PERAPlus 401(k) Plan, immediately begin deducting contributions from the member's pay (if requested by the member) and report them on your next PERAPlus 401(k) Plan Contribution Report.

### **Employer Matching Contributions to the PERAPlus 401(k) Plan**

An employer may match member contributions to the PERAPlus 401(k) Plan as a benefit of employment, providing that the total employer and participant contributions do not exceed a maximum annual IRS limit. The employer determines the matching amount contributed and allocated to a participant's account. The plan for matching employer contributions must be approved in advance by PERA.

The PERAPlus 401(k) Plan allows employer matching using several methods, such as making employer contributions for each member participating in the PERAPlus 401(k) Plan. The employer may select the amount of the employer contribution based upon a dollar amount, the percentage the member contributes, service, or performance. All employer contributions to a member's PERAPlus 401(k) account immediately become 100 percent vested to the member and are not returned to the employer at any time.

If an employer chooses to match member contributions to the PERAPlus 401(k) Plan, a written plan must be submitted in writing to PERA's Benefit Services Division for review and approval. PERA will review the plan to ensure that it meets the matching contribution non-discrimination requirements under the PERAPlus 401(k) Plan and the Internal Revenue Code.

All matching employer contributions are made on a pre-tax basis regardless of whether the employees are making pre-tax or Roth contributions.

### **Enrolling Members in the PERAPlus 457 Plan**

Members must enroll themselves in the PERAPlus 457 Plan by logging on to their PERA account online. Once a member has enrolled, Voya will notify you to begin taking contributions for the member. Only employees of an employer that has affiliated with the PERAPlus 457 Plan are eligible to participate in the Plan.





## SECTION 5-REPORTING OTHER MEMBER INFORMATION

In addition to enrolling members, correcting coverage errors, and reporting contributions, PERA will occasionally ask employers to provide additional information in order to accurately determine service credit, PERA salary, and benefits. This section covers general information an employer may be asked to provide during a member's career. Subsequent sections cover the employer's role in refunds, retirements, disabilities, and survivors.

### SALARY INFORMATION

By statute, PERA is required to ensure that contributions are remitted only on PERA-includable salary and that PERA salary is properly credited to the month(s) during which it was earned.

Most employees receive salary payments on a regular basis. Generally, these regular salary payments present no concerns. However, on occasion an employee may receive an additional or irregular payment upon which PERA contributions are remitted. In these cases, PERA staff must request that the employer provide an explanation of the additional payment that was reported to PERA.

These additional payments are sometimes discovered in the normal processing of a member's benefit request (an estimate request, a purchase of service credit, or an application for benefits). In that case, you will be contacted by a Benefits Counselor from PERA's Benefits Services Division requesting an explanation.

You will usually receive this request in an *Explanation of Additional Pay* form for you to complete and return to PERA. If a salary explanation is needed on short notice, you may be contacted by telephone. PERA tries to maintain a reference of these additional employer payments to avoid contacting an employer multiple times for the same situation.

You may respond to the *Explanation of Additional Pay* form online if you have access to the online forms in STARS. You may also use this form if you wish to notify PERA of any additional or irregular payments ahead of time without waiting for PERA to contact you via an *Explanation of Additional Pay* form. PERA asks that employers make every effort to be responsive to these requests so that we may properly implement our governing statute. If you are aware of an existing additional or irregular payment that PERA may not be aware of, or if you anticipate a future type of payment, please contact your Employer Representative with this information or use the online *Explanation of Additional Pay* form.

Additional payments are also discovered in the processing of your contribution reports. In these cases, you will be contacted by your Employer Representative requesting an explanation.

### LEAVES OF ABSENCE

A leave of absence refers to any period of time during which the member is not working or is receiving no pay or only partial pay, but the employer/employee relationship continues. A certified leave of absence may occur due to leave without pay, leave without pay for health reasons, paid sabbatical leave, short-term disability leave, or military leave.

Employers are required to submit a *Certification of Leave of Absence* form within 90 days of the beginning date of the leave for an employee who is on a certified leave for more than one month. This form may be completed online.

Filing a *Certification of Leave of Absence* form preserves the following membership rights while off the payroll:

- » Eligibility for the PERA disability program.
- » Eligibility for survivor benefits.
- » Ability to make payments or continue to make installment payments on a purchase of service credit.

If the end date of the leave changes, provide PERA with a new form indicating the new end date. If the period of leave is unknown, complete the form for a period of 90 days. Should the leave extend beyond the 90 days, provide PERA with a new form indicating the new end date.



For more information about submitting forms online, please refer to the "Forms" section of the *Using STARS* guide.

Periods of leave with full pay, for example, absence for vacation, summer intermission, sick leave, or any paid leave, do not require a *Certification of Leave of Absence*. Also, membership rights automatically continue without a *Certification of Leave of Absence* during periods in which pay has stopped due to an established break in contract or employment period when the employer/employee relationship continues. For example:

No *Certification of Leave of Absence* would be required for an instructional aide paid over nine months, who works from August 12 through May 31, and is off work during the remainder of the summer months before returning for the next contract year.

### Employer Steps for Members on Leaves of Absence

- » Encourage the member to review PERA's *Leaves and Sabbaticals* brochure, which explains information concerning leaves and PERA accounts.
- » When the member begins the leave of absence, the employer should submit a completed *Certification of Leave of Absence* indicating that the member is on leave and the dates of the leave. If the dates change, provide a new form.
- » The employer should remit PERA contributions on any partial or sabbatical salary paid to the member while on leave.
- » When the member returns to PERA-covered employment, resume remitting PERA contributions on salary earned.

## MILITARY LEAVES

Military leave may be granted for periods when a PERA member leaves work to enter active uniformed service in any branch of the United States military and continues the employer/employee relationship.

Employer and member contributions are required on any full or partial salary paid by a PERA employer to a member during military leave. If salary is paid by the PERA employer during the military leave, appropriate service credit will be earned.

Upon return to PERA-covered employment, the member should submit to PERA a copy of his/her DD-214 (Military Discharge Form), or similar form such as a Certificate of Points for Reservists, which shows the periods of active duty. Upon receipt of the DD-214, PERA will grant up to five years service credit for the periods of active duty at no cost to the member or the employer (under the PERA benefit structure).

Under federal law, the member may pursue restoring full salary during periods of active military duty. If the member pursues restoration of full salary, member and employer contributions are due on salary amounts that would have been paid.

### Employer Steps for Members on Military Leave

- » Encourage the member to review PERA's *Leaves and Sabbaticals* brochure, which explains information concerning military leaves and PERA accounts.
- » When the member begins military leave, the employer should submit a completed *Certification of Leave of Absence* indicating that the member is on military leave and the dates of the leave.
- » The employer should remit PERA contributions on any full salary or partial salary paid to the member while on military leave.
- » When the member returns to PERA-covered employment, the employer should resume remitting PERA contributions on salary earned and submit a breakdown of the salary that would have been paid to the member while on military duty so that PERA contributions can be calculated should the member wish to pursue full salary restoration.

## YEAR-END TAX INFORMATION

Each year by the end of March, PERA employers must submit to PERA tax-related information, such as W-2/W-3 and 1099-MISC/1096 files, for the previous tax year for any individual or firm that has provided services to the employer. For your convenience, we have the same formatting and submission requirements as the Social Security Administration (SSA) and the IRS. The file format is as follows:

- » W-2/W-3s must follow the SSA requirements as outlined in SSA Publication 42-007.
- » 1099-MISC/1096s must follow the IRS requirements as outlined in IRS Publication 1220.

PERA prefers and encourages you to use STARS for the transmission of all W-2/W-3 and 1099-MISC/1096 files.

STARS requires an authorized user. If you need to authorize a new user, or will need a separate authorization for this process, please contact your Employer Representative. We encourage you to ensure you have the proper authorizations in place by the end of January.

- » If your department has 250 or more W-2/W-3s or 1099-MISC/1096s, you must submit your files using STARS. There are no exceptions to this requirement.
- » If you use an outside payroll service to file your tax forms, please make arrangements with the service in advance to have your files submitted through STARS.

- » If you have less than 250 W-2/W-3s and/or 1099-MISC/1096s and you do not file electronically:
  - Your files may be uploaded as a PDF document(s) through STARS.
  - For security purposes, PERA will only accept paper W-2/W-3 and 1099-MISC/1096 files through standard mail, courier, or hand delivery to the PERA front desk. There are no exceptions to this requirement.
- » If you do not file any 1099-MISC/1096 forms for the tax year, please notify PERA so that we may provide you with a form to complete, which certifies you did not file any 1099-MISC/1096 tax forms.



Please see the *Using STARS* guide for additional information on how to submit these files to PERA.

## OTHER INFORMATION

PERA may also ask for other information to accurately determine an employee's membership status and benefit eligibility. This information can include the employment status and positions of current or previous employees, hire and termination dates, and explanations of the exact relationship between the employer and an individual (such as employee versus independent contractor). Such requests will usually be made by a Benefits Counselor, Compliance Analyst, or an Employer Representative from PERA's Benefit Services Division and may be in writing or via telephone.



## SECTION 6-MEMBER TERMINATIONS AND THE REFUND PROCESS

### TERMINATION OF PERA-COVERED EMPLOYMENT

A member who terminates PERA-covered employment may elect to do the following:

- » Leave the PERA account at PERA for a future benefit or withdrawal. The account will continue to earn interest (currently 3 percent). If PERA membership is resumed, the member will continue to build on his/her existing account.
- » Refund the PERA account.

Similarly, if the terminating member has a PERAPlus 401(k)/457 or PERA DC Plan account, he/she may elect to withdraw this account or leave it at PERA.

State law only allows refunds after termination of all PERA-covered employment. Refunds are not allowed in the following situations:

- » When the member is employed by more than one PERA employer and has not terminated employment with all employers.
- » When the member transfers from one PERA-covered position to another with no break in employment.
- » When seasonal employees are off the payroll, but not terminated.
- » When the member is on leave from the employer since no termination has occurred.

Additionally, federal law prohibits a refund to a member who is still employed with a PERA employer, even if the individual does not participate in PERA, until the member reaches normal retirement age.

Members who elect to withdraw their PERA accounts, through a refund or rollover, forfeit their rights to any future PERA benefit and are responsible for applicable taxes. Members who later return to PERA-covered employment may purchase the service credit associated with prior membership, but will not be entitled to the benefits rights associated with the withdrawn time.

► **Note:** There are different rules for purchasing service credit from refunded accounts under the PERA and DPS benefit structures. See the *Purchasing Service Credit* booklet for detailed information.

### EMPLOYER RESPONSIBILITIES IN THE PERA REFUND PROCESS

When a terminating PERA member elects to do a rollover or refund of his/her PERA account, you have several areas of responsibility in this process:

- » Encourage your terminating employees to review PERA's *Refund/Rollover Request* booklet and contact PERA's Customer Service Center with any questions.
- » When refunding a PERA account, the employee must refund accounts in all benefit structures (PERA and DPS).
- » Complete the "Termination Certification by Former Payroll or Personnel Office" section on the *Refund Request–Defined Benefit Plan* or *Rollover Request–Defined Benefit Plan* form, if the member has been on a leave of absence or on the Contribution Report within the last 90 days. This form may also be completed online by the employer. Please refer to the *Using STARS* guide for more information.
- Specify the date of termination of employment. The date of termination is the last day for which salary subject to PERA contributions will be paid, or the last day of an employer-certified leave of absence, whichever is later. If a lump-sum for annual leave or other similar accrued pay is paid, which signifies the end of the employee/employer relationship, extend the date of termination to the last day of leave.
- Specify which Contribution Report will contain the member's final contribution. Contribution Report dates are based on the last day of the pay period.
- Specify the total PERA member contributions (including adjustments) to be reported for the member on the Contribution Report that will contain the member's final contribution. If you pay more than once a month, please report the total of all contributions earned for that month.
- Indicate if the member has terminated employment and if so, include the termination date.
- Provide your signature, title, date, employer name, employer number, and telephone number.
- Include (do not staple) a photocopy of the member's current signed Social Security card with the *Refund Request–Defined Benefit Plan* or *Rollover Request–Defined Benefit Plan* form if the member has less than 18 months of PERA service credit.
- » Funds will not be distributed to a terminating member until all contributions have been remitted to PERA from the employer.





## SECTION 7-RETIREMENT PROCESS

Each year, PERA processes and pays thousands of new retirement benefits. Both the retiring member and the employer have roles to play to ensure a retiring member's smooth transition from active employment to retirement.

### MEMBER RESPONSIBILITIES IN THE PERA RETIREMENT PROCESS

PERA retirement benefits do not automatically begin. An eligible member must apply for the benefit. To begin the process, the retiring member must request a *PERA Retirement Application Kit* by contacting PERA's Customer Service Center, receiving one at a Retirement Process meeting, or by ordering one from PERA's website. The *Kit* includes the *PERA Retirement Process* booklet and all the necessary forms the retiring member needs to apply for retirement, including a *Final Six Months' Salary Report (FSMSR)* for the employer to complete.

### EMPLOYER RESPONSIBILITIES IN THE PERA RETIREMENT PROCESS

As an employer, your responsibilities in the retirement process include the following:

- » Encourage your retiring employees to review the *PERA Retirement Application Kit*, attend a PERA Retirement Process meeting or other meeting with PERA staff, and contact PERA's Customer Service Center with any questions. (Employees are not required to attend a meeting prior to retiring.)
- » Complete a *FSMSR* as described to the right.
- » Answer questions from PERA staff regarding pending retirements in a timely manner.

► In some cases, it may not be possible to forward an accurate *FSMSR* to PERA before the member actually ends work because of uncertainty about overtime, shift differential, and annual or sick leave which may be taken. Notify members who have variable pay that overtime, shift differential, etc., may delay the first benefit payment.

- » Ensure that a valid termination of employment has occurred. Any provisions an employer has that allow a retiring PERA member to return to work must comply with the state law governing PERA. When a PERA member retires, he/she must have terminated employment to be eligible to begin receiving benefits from PERA. Some employers have set up "transitional retirement" plans that allow an employee to return to work. If there is any provision in the "transitional retirement" plan that states the employee will continue in his/her current assignment after enrolling in the plan, then the employee has not terminated employment and is not eligible for PERA retirement benefits. An employer may rehire a retiree (under PERA's post-retirement employment provisions) who has terminated employment and retired.

### ***Final Six Months' Salary Report***

Since PERA's recordkeeping system posts salary information to a member's account after the earnings were paid to a member and many members receive accrual pay after their effective date of retirement, it is necessary for a PERA employer to provide salary information for a member who will retire before that information is normally reported to PERA through the contribution reporting system. This is done through the *FSMSR* that is included in the *PERA Retirement Application Kit* and also is available online. Instructions are given to the retiring member to provide this form to his/her employer's payroll office.

We encourage you to submit the *FSMSR* online if at all possible. It is fast and secure—PERA's website uses Secure Sockets Layer (SSL) Protocol and Third Party Certification to ensure the security of any information you submit using our secure employer website, STARS. When you complete a *FSMSR* online using STARS, it is typically added to a member's electronic file instantaneously (it may be slightly delayed dependent on server traffic) and the system will notify a PERA Benefits Counselor who is working on processing the retirement of the receipt of the *FSMSR*. Please see the *Using STARS* guide for more information about setting up a STARS account in order to submit the *FSMSR* online. An employer may have multiple STARS users if you have more than one person that needs access.

The information supplied in the *FSMSR* allows the benefit to be calculated accurately using PERA-includable salary (what the employer truly expects to pay the employee based upon available information about overtime, any leave or vacation time, or sick leave that will be taken before retirement) before it is reported to PERA via STARS. Please do not complete the form until you can accurately certify the final pay amounts.

### **Employer Steps for Completing the *Final Six Months' Salary Report***

Once you receive the *FSMSR* from the retiring member, you will need to complete the form and include all applicable items.

- » Report member contributions for the monthly total for Base Pay plus any Extra Pay.
- » List the actual last day at work. "Last Date Physically on the Job" refers to the last date the member physically worked for the employer. Based upon this date, PERA determines the effective date of retirement. For most retiring members, the effective date of retirement is the first day of the month following the last day on the job, even if the member has unused annual leave for which pay will be received or continues to receive pay for a contract period, but does not work. If the member uses sick leave after the last day on the job, the effective date of retirement is delayed until the first day of the month following the last day of used sick leave.
- » List the termination date. The termination date is the day the employer/employee relationship ends. For a member on a leave of absence, the termination date would be the end of the period of leave.
- » List the last date through which the member will receive pay on the "Paid-Through Date." This includes any lump-sum payment for vacation or annual leave, summer accruals, and sick leave that was used.
- » List the date any pay for sick or injury leave will stop on the "Last Day of Sick or Injury Leave Actually Used." This refers to the last date for which sick or injury leave was/will be paid to a member. This information is necessary since sick or injured-on-duty pay extends both the date through which service credit is calculated and the effective date of retirement.
- » Include any information that will assist PERA in understanding the information reported on the *FSMSR* in the "Employer Comments" section.

- » List the member's final six months of salary. PERA uses the Base Pay and Extra Pay information to determine service credit. Regular monthly salary or hourly rate multiplied by the hours worked information is recorded in the Base Pay boxes. Overtime, shift differential, or other pay is recorded in the Extra Pay boxes. If a member receives a payment at the end of the career for unused vacation or annual leave, the amount may be included in the Base Pay amount or listed as a separate amount. If payments are combined in the Base Pay block, then explain it in the Extra Pay breakdown.
- » Only report PERA-includable salary. (Cash payment based on unused sick leave is not PERA-includable salary.)
- » Return the *FSMSR* to PERA as soon as the salary information can be accurately certified. If you do not send the *FSMSR* to PERA in sufficient time, there will be a delay in processing the member's retirement benefit and a lapse in income may occur. (If the benefit is delayed, it will be paid retroactively to the effective date of retirement once the payment of benefits has begun.)
- » Please be as accurate as possible in determining the information for the *FSMSR*.
- » If an error is discovered after sending the *FSMSR* to PERA, promptly advise your Employer Representative and submit a revised *FSMSR* in a timely fashion.

If the information listed on the *FSMSR* differs from the information submitted to PERA through contribution reporting or if additional information is required, you may be contacted by a PERA Benefits Counselor in order to resolve any such discrepancy.

### **REPLACEMENT BENEFIT ARRANGEMENT (RBA)**

At times, the retirement benefits which PERA pays can be limited by Section 415(b) of the Internal Revenue Code. For example:

PERA calculates a retiree's retirement benefit to be \$8,000 per month. This is called the "unrestricted benefit." However, based upon the retiree's age and other factors, Code § 415(b) limits his/her benefit to \$6,500 per month. This is called the "restricted benefit." Therefore under the Code, PERA can only pay \$6,500 per month. PERA will send a check for \$6,500 to the retiree for the restricted benefit and the employer who has a Replacement Benefit Arrangement (RBA) in effect will send a check to the retiree for the difference of \$1,500. PERA will refund the employer \$1,500 in employer contributions to fund the amount the employer pays.

When a retiring member's benefit is limited by Code § 415(b), he/she is notified of the situation as a part of the retirement process. If the retiree wants to receive the full amount, the former employer must enter into an RBA agreement with PERA and agree to pay the difference due. This agreement must be in place prior to the retiring member's retirement; without this agreement, the difference cannot be paid.

If the employer wishes to enter into an RBA agreement with PERA, the employer should contact the Employer Representative. The Employer Representative will be able to answer questions about the agreement itself, the employer contribution offset process, processing tax-reporting forms, and reporting requirements to PERA.

The Internal Revenue Code provides for an RBA allowing PERA to work with employers to restore the retiree's full or unrestricted benefit when it is limited. Under an RBA, the retiree's former employer pays the difference between the restricted benefit and the unrestricted benefit. The amount paid by the former employer is repaid to the employer by PERA. PERA funds this payment by removing it from the employer's employer contribution before it is deposited in the applicable trust fund.

- ▶ Encourage members who may be near the limits under Section 415(b) to contact PERA for a benefit estimate.



## SECTION 8-WORKING AFTER RETIREMENT

Some PERA retirees choose to return to work for the employer they retired from or another PERA employer. Any retiree providing services for a PERA employer should complete a *Retiree Working for a PERA Employer* form. This form has a section to be completed by the employer and should be returned to PERA promptly.

In order to help the employer check the PERA status of an individual, including whether an individual is a PERA retiree, employers can use STARS to see if a Social Security number (SSN) is recognized in PERA's database. For help using this verification feature in STARS, please contact your Employer Representative. Please note that if the employer does not check the PERA status of an individual and it is later determined that person was a retiree, the employer may owe interest on the contributions due.

Below is a brief summary of the provisions governing working after retirement for a PERA employer, since Colorado state law restricts most post-retirement work for a PERA employer.



For additional details, please see PERA's *Working After Retirement* booklet.

### Working During the Effective Month of Retirement

Colorado state law specifies that employment of a retiree by any PERA employer during the retiree's effective month of retirement will result in a reduction in the retiree's retirement benefit. There must be a termination of employment for a PERA member to be eligible to retire. Any work performed by the retiree during the effective month of retirement may cause PERA to question whether the employment relationship has truly terminated, and the PERA employer may be asked to provide documentation about employment status. If a retiree works on the first business day of the month in which the retirement is effective, the retirement will be canceled and delayed until a valid termination has occurred.

### 110-Day/720-Hour and 140-Day/916-Hour Work Limit

A PERA retiree may work after retirement for a PERA employer for up to 110-days/720-hours per calendar year with no impact to the PERA benefit. A day is defined as more than four hours of work in a day.

- » If the retiree works four hours or less during the day, the limit is 720 hours per calendar year.
- » If the retiree works a combination of days of both more than four hours and four hours or less, these are combined and calculated as outlined in the *Working After Retirement* booklet.

Effective January 1, 2011, each employer in the School Division and the DPS Division as well as each higher education employer may designate up to 10 retirees who can work 140-days/916-hours per year without a reduction in benefits. (Higher education employers may designate 10 retirees per campus.) Designated retirees may work an additional 30 days or 196 hours over the normal working after retirement limit of 110 days/720 hours. Employers must meet the requirements under C.R.S. § 24-51-1101(1.8).

In addition:

- » Each calendar year, employers must file the *Designation of Retirees Working After Retirement Under the 140-Day/916-Hour Limit* form with PERA to designate the retirees whose working after retirement limit will be 140 days/916 hours. Please note that you do not have to designate all 10 retirees at once and that your list may be updated throughout the year until you reach 10 retirees. You may not make substitutions. Once a retiree has been designated, the designation is irrevocable for that calendar year. If a designated retiree leaves employment, another retiree cannot replace the designated retiree. The designations must be made during the calendar year in order to be valid; retroactive designations are not permitted once a calendar year has passed.
- » A designated retiree may work for more than one PERA employer during the calendar year. However, once a retiree reaches the working after retirement limit of 110 days/720 hours, that retiree may only work the remaining 30 days or 196 hours, without a reduction in benefits, for the employer that designated the retiree.
- » Charter schools of a public school district in Colorado, including Denver Public Schools, must coordinate the designation of any retirees allowed to work under the 140-day/916-hour limit with the school district; charter schools are not considered a separate employer for purposes of C.R.S. § 24-51-1101(1.8).

- » If the retirees designated on the form do not meet the qualifications, PERA will notify the employer.

All retirees performing services as an employee for a PERA employer are subject to the 110-day/720-hour or 140-day/916-hour limit UNLESS the retiree:

- » Is working as an independent contractor as defined by the IRS (see Revenue Ruling 87-41 and IRS Publication 963).
- » Is working as a Senior Judge.
- » Is serving as a state legislator.
- » Joined an ORP, terminated PERA membership prior to June 3, 1994, and has been continuously employed in the same position at the same ORP employer since the election.
- » Is working for an employee of a company owned or operated by an affiliated party that is performing services for a PERA employer.
- » Is working in a position that has been temporarily vacated by an employee who has been called into active U.S. military duty.
- » Is providing a product and not a service to a PERA employer.

The working after retirement limit applies to the calendar year, not an academic or fiscal year.

It is the retiree's responsibility to report any post-retirement work in excess of the allowed limit to PERA by March 31 for the previous calendar year using the *Post-Retirement Work Report*. The retiree's benefit will be reduced by 5 percent for each day worked over the limit.

PERA actively monitors working retirees for compliance with these provisions of state law. When PERA has reason to suspect non-compliance with working after retirement limits, you may be asked to provide employment, salary, tax, or other information related to the retiree's employment.

## CONTRIBUTIONS DUE TO PERA FOR POST-RETIREMENT WORK BY A PERA RETIREE FOR A PERA EMPLOYER

State law requires that employer contributions (including AED and SAED) are to be remitted on compensation paid for services rendered by a PERA retiree for a PERA employer, regardless of whether the retiree is an employee, an independent contractor, or performing services through an affiliated party.

A retired judge participating in the Senior Judge Program and a retiree serving as a state legislator are exempt from having employer contributions due on their salaries.

Employer contributions are remitted via the normal STARS process. Retirees cannot be required to pay employer contributions as a deduction from their pay. The employer may reduce the salary or other pay for rehired retirees to compensate for the employer contribution, which is allowed under the law, but may not deduct contributions from the agreed-upon pay.

## Working Retiree Contributions

Effective January 1, 2011, PERA retirees, including independent contractors, performing services for a PERA employer are required to pay a working retiree contribution. This working retiree contribution is set at the same rate as the member contribution rate for that employer and is applicable to all pay that is subject to employer contributions. The working retiree contribution is a pre-tax deduction from the retiree's pay or is taken as a deduction from the retirement benefit if the retiree is working as an independent contractor.

The working retiree contribution does not accrue an additional benefit and retirees are not eligible for a refund of these contributions. The working retiree contribution does not apply to retirees working as state elected officials, retirees participating in an ORP as outlined in C.R.S. § 24-54.5-101 *et seq.*, or judges participating in the Senior Judge Program.

If the retiree is performing services as an employee, it is the employer's responsibility to collect the working retiree contribution from the retiree's pay and remit the contribution through the normal contribution reporting process using STARS. If the retiree is performing services as an independent contractor or through an affiliated party, the employer is responsible for notifying PERA of such an arrangement and remitting employer contributions through STARS. PERA will then deduct the amount due from the retiree's monthly retirement benefit. If the amount of the working retiree contribution exceeds the amount of the benefit, the retiree must remit the difference to PERA within 30 days. See page 35 for additional information regarding retirees performing services as independent contractors or through an affiliated party.

▶ If you have questions regarding the contribution reporting process through STARS, please contact your Employer Representative.



## Independent Contractors and PERA Retirees

Under state law and PERA Rules, PERA retirees who provide services to a PERA employer as an independent contractor are excluded from the annual limits on working after retirement (the 110-day/720-hour or 140-day/916-hour limit). However, employer, AED, SAED, and working retiree contributions are due on payments made for such services. Employer, AED, and SAED contributions should be remitted through regular Contribution Reports via STARS. Working retiree contributions will be collected by PERA via a deduction from the retiree's benefit.

PERA has previously required all retirees performing services as an independent contractor to complete a *Disclosure of Compensation* form and forward it to the employer. Effective January 1, 2012, PERA retirees performing services to a PERA employer as an independent contractor are not required to complete a *Disclosure of Compensation* form, if, for tax purposes, the PERA employer reports compensation paid to the retiree or the retiree's company under the SSN of the retiree.

The PERA retiree is required to complete a *Disclosure of Compensation* form if either of the following is true:

- » For tax purposes, the PERA employer reports compensation paid to the retiree or his/her company under a tax identification number different than the retiree's SSN.
- » The retiree is performing services through an affiliated party.

When a PERA employer receives a *Disclosure of Compensation* form from a retiree, the employer should then complete the form and send the completed form back to PERA.

It is the employer's responsibility to determine if an individual performing services is an independent contractor as opposed to an employee. The status of independent contractor is described by the IRS in Revenue Ruling 87-41. IRS Publication 15-A explains the classification further. PERA staff cannot provide employers with tax advice including determinations of independent contractor status. However, in some cases that are brought to PERA where incorrect classification is suspected, PERA staff must investigate the situation.

If an employer classifies an individual as an independent contractor and it is later determined that the individual was an employee, the employer can be held liable for back taxes, benefits, and penalties. The retiree may be liable for a reduction in PERA benefits if the annual working after retirement limits are exceeded.

## Contributions on Wages for a PERA Retiree Working as an Independent Contractor

All contributions for a PERA retiree working for a PERA employer as an independent contractor shall be based on the amount received by the retiree, as specified in the agreement, which would constitute "salary" if the retiree were an employee. Compensation reported for independent contractors should only include amounts paid for services rendered. Please subtract any amounts that are explicit reimbursements for travel, materials, and other expenses. Employer contributions, AED, and SAED continue to be required for independent contractors. It is the PERA employer's responsibility to determine if a contractor is a PERA retiree. The SSN verification function available through STARS is provided to allow you to determine if a contractor or employee has an existing PERA relationship. Contact your Employer Representative before using the SSN verification system. Please note that if the employer does not check the PERA status of an individual and it is later determined that person was a retiree, the employer may owe interest on the contributions due.

Since PERA will be collecting the working retiree contribution from the retiree's benefit if they are performing services as an independent contractor, PERA may contact you to verify that any such individual is not an employee of the PERA employer.

## Affiliated Parties and PERA Retirees

Retirees who perform services through an affiliated party must complete the *Disclosure of Compensation* form and forward it to the employer. The employer should complete the form and then send the completed form to PERA. In addition, the employer has 30 days from receipt of this form to forward contributions to PERA. Employer, AED, SAED, and working retiree contributions are due on payments made for such services. Employer, AED, and SAED contributions should be remitted through regular contribution reports via STARS; working retiree contributions will be collected by PERA from retirees' benefits.

If the retiree fails to report compensation to both PERA and the employer using the *Disclosure of Compensation* form, the retiree in some cases may be required to pay the employer contribution amount plus any interest. Please contact the Employer Relations team if you have a question on this topic.

An affiliated party includes the following:

- » Any person who is the named beneficiary or cobeneficiary on the PERA account of the retiree.

- » Any person who is a relative of the retiree by blood or adoption (includes parents, siblings, half-siblings, children, and grandchildren).
- » Any person who is a relative of the retiree by marriage or civil union (includes spouse, spouse's parents, stepparents, stepchildren, stepsiblings, and spouse's siblings).
- » Any person or entity with whom the retiree has an agreement to share or profit from the performance of services for a PERA employer by the retiree other than the retiree's regular salary or compensation.

Since PERA will be collecting the working retiree contribution from the retiree's benefit if they are performing services through an affiliated party, PERA may contact you to verify that any such individual is not an employee of the PERA employer.

### **Retirees Paid Through Accounts Payable System**

Since these payments are not processed with your normal payroll cycle, you may report these separately on a monthly basis. Information will still need to be reported to PERA through STARS. Please contact your Employer Representative if you need further assistance.

### **Employers with Optional Retirement Plans**

Senate Bill 10-001 altered the options available to retirees hired into an ORP-eligible position as of January 1, 2011.

All ORP elections must be in writing and filed with PERA.

#### ***For Retirees Hired Before January 1, 2011:***

- » A PERA retiree who returned to work in a position covered by an ORP was required to join the ORP.
  - Because the retiree is working for a PERA employer, he/she is subject to the working after retirement limit.
  - Because an ORP-covered position is not PERA membership eligible, the retiree is not allowed to suspend his/her PERA retirement.
- » Always encourage retirees to consult with PERA to discuss possible impacts on benefits.

#### ***For Retirees Hired on or After January 1, 2011:***

The retiree has the choice between PERA and the ORP.

If the retiree elects PERA:

- » The employer must pay the employer contribution, AED, and SAED.
- » The retiree is subject to the 110-day/720-hour or 140-day/916-hour working after retirement limit, as appropriate.

- » The working retiree contribution is due to PERA.
- » The retiree may suspend his/her PERA retirement and return to active membership.

If the retiree elects the ORP:

- » The employer must pay the employer contribution, AED, and SAED.
- » The retiree is subject to the 110-day/720-hour or 140-day/916-hour working after retirement limit, as appropriate.
- » No working retiree contribution is due to PERA.
- » The retiree cannot suspend his/her PERA retirement and return to active membership.

The choice between the ORP and PERA is to be given each time a retiree is rehired into an ORP-eligible position after January 1, 2011.

Since working retiree contributions are not due on retirees participating in the ORP, PERA may contact you to verify that certain retirees are participating in the ORP and are not independent contractors or non-ORP participants.

### **Suspending Retirement**

A retiree may choose to suspend his/her PERA retirement and resume PERA-covered employment. If a retiree returns to a position not eligible for PERA-covered employment, the retiree's retirement cannot be suspended. It is the retiree's responsibility, not the employer's, to initiate this action. PERA will notify the employer in writing that a retiree has suspended his/her retirement and that this individual should be reported as a member rather than a retiree.

If a suspension of retirement occurs, the employer should have the employee complete a new *Member Information Form—Defined Benefit Plans* and forward it to PERA.

Senate Bill 10-001 impacted many factors surrounding the suspension of retirement, including how benefits are calculated in the case of a re-retirement, and how a suspension impacts a retiree's eligibility to receive an annual increase.

Please encourage retirees who may be considering suspending their retirement to contact PERA to receive information on the benefits and drawbacks of suspending retirement to aid in their decision-making process.

## SUMMARY OF WORKING AFTER RETIREMENT RULES

If the retiree is	Then
A retiree working for a private company (or working for a non-PERA affiliated public employer) that is not owned or operated by an affiliated party.	The work limits do not apply and the retiree's benefit will not be affected (except for disability retirees).
A retiree providing a product and not a service to a PERA employer.	The work limits do not apply. Employer and working retiree contributions are not required.
A retiree hired as an employee by a PERA employer.	The work limits apply. Employer and working retiree contributions are required.
A retiree individually working for a PERA employer as an independent contractor.	The work limits do not apply. Employer and working retiree contributions are required.
A retiree working for a PERA employer through a business the retiree owns or operates and the retiree provides services to the PERA employer as an employee of the PERA employer.	The work limits apply. Employer and working retiree contributions are required.
A retiree working for a PERA employer through a business the retiree owns or operates or owned or operated by an affiliated party and the retiree provides services to the PERA employer as an independent contractor.	The work limits do not apply. Employer and working retiree contributions are required.
A retiree who owns or operates a company that is providing services to a PERA employer, but the retiree is not performing services for the PERA employer.	The work limits do not apply. Employer and working retiree contributions are not required.
A retiree serving as a state legislator.	The work limits do not apply. Employer and working retiree contributions are not required.
A retired judge participating in the Senior Judge Program.	The work limits do not apply. Employer and working retiree contributions are not required.
A retired judge working outside the Senior Judge Program.	The same rules apply as are applied to other retirees.
A retiree working in a position that has been temporarily vacated by an employee who has been called into active U.S. military duty.	The work limits do not apply. Employer and working retiree contributions are required.
A retiree who is a volunteer for a PERA employer.	The work limits do not apply; however, you may not volunteer or work in any capacity on the first business day of your effective month of retirement. (See page 1 of the <i>Working After Retirement</i> booklet.)
A disability retiree under the disability program which went into effect January 1, 1999.	Any work after retirement must be coordinated with Unum and may prompt a re-evaluation of the retiree's disabling condition; if it is determined that the retiree is medically able to earn 75 percent of his/her predisability earnings, the disability retirement benefit may end. If the retiree works as an employee, the work limits apply.
A retiree who terminated membership prior to June 3, 1994, who has continuous employment with the same employer in a position covered by an Optional Retirement Plan as defined under C.R.S. § 24-54.5-101, <i>et seq.</i>	The work limits do not apply. Employer contributions are required. Working retiree contributions are not required.
A retiree who began work on or before December 31, 2010, and has continuous employment with the same employer in a position covered by an Optional Retirement Plan as defined under C.R.S. § 24-54.5-101, <i>et seq.</i>	The work limits apply. Employer contributions are required. Working retiree contributions are not required.

If the retiree is	Then
A retiree who returns to work on or after January 1, 2011, in a position covered by an Optional Retirement Plan as defined under C.R.S. § 24-54.5-101, <i>et seq.</i>	The retiree will be required to choose PERA or the Optional Retirement Plan as his/her retirement plan. (See pages 4 and 5 of the <i>Working After Retirement</i> booklet for detailed information.)
A retiree who has been retired for less than one month and works in any capacity for any PERA employer during the effective month of retirement.	<ul style="list-style-type: none"> <li>» The retiree may not work in any capacity (paid or volunteer) on the first business day of his/her effective month of retirement.</li> <li>» PERA will reduce the retiree's benefit by 5 percent for each day or partial day he/she worked during the effective month of retirement.</li> <li>» Any time the retiree works during the effective month of retirement will count toward the working after retirement limits.</li> <li>» Employer and working retiree contributions are required.</li> </ul>

## ADDITIONAL PROVISIONS AS A RESULT OF THE DPSRS MERGER

If the retiree is	Then
A retiree under the DPS benefit structure without a PERA benefit structure account and the retiree is hired by a PERA (including DPS) employer on or after January 1, 2010.	The work limits apply. Employer and working retiree contributions are required.
A retiree under the DPS benefit structure with an inactive PERA benefit structure account and the retiree is hired by a PERA (including DPS) employer on or after January 1, 2010.	The work limits apply. Employer and working retiree contributions are required.
A retiree under the DPS benefit structure with an active PERA DC Plan account on January 1, 2010.	As long as work continues for the same employer and the retiree does not begin work for another PERA employer, the work limits do not apply.
A retiree under the PERA benefit structure who retired on or before December 31, 2009, and an active member of the DPS benefit structure on January 1, 2010.	As long as work continues for the same employer and the retiree does not begin work for another PERA employer, the work limits do not apply.
A retiree under the PERA benefit structure who retired on or before December 31, 2009, and was working as an hourly employee for DPS on or before December 31, 2009.	As long as the retiree continues working for the same employer as an hourly employee and does not begin working for another PERA employer, the work limits do not apply. Employer and working retiree contributions are required.
A retiree under the DPS benefit structure on or before December 31, 2009, and an active member of the PERA benefit structure on January 1, 2010.	As long as the retiree continues working for the same employer and does not begin work for another PERA employer, the work limits do not apply.
A retiree under both PERA and DPS benefit structures and began working for a PERA employer (including DPS) after January 1, 2010.	The work limits apply. Employer and working retiree contributions are required. Any reduction will be applied toward both benefits.

## SECTION 9-COLORADO PERA DISABILITY PROGRAM

PERA protects its eligible members with a two-tier disability program consisting of short-term disability (STD) payments for those members who are not totally and permanently disabled from work and disability retirement benefits for those members who are totally and permanently disabled. The *Colorado PERA Disability Program* booklet contains information including medical standards for STD and disability retirement, waiting periods for benefits, payments and benefit amounts, deductible income, return-to-work restrictions, and options at termination of STD and disability retirement. PERA contracts with Unum to administer the disability program.

As a result of the Denver Public Schools Retirement System (DPSRS) merger with PERA, members may have two Defined Benefit (DB) Plan accounts with PERA—one under the PERA benefit structure and one under the DPS (Denver Public Schools) benefit structure. Members under the DPS benefit structure, who apply for disability on or after January 1, 2010, are covered under the PERA disability program and all benefits associated with their disability are administered under the PERA disability program rules. Regardless of whether a member applies for disability under the PERA benefit structure or the DPS benefit structure, all benefit provisions applicable to the PERA disability program will apply.

### APPLICATION AND MEDICAL REVIEW PROCESS

To be eligible to apply for the disability program, a member must meet all of the following requirements:

- » Have five years or more of earned service credit with six months of this credit earned in the most recent membership period;
  - For Judicial Division members, eligibility has no earned service credit minimum.
  - For State Troopers or CBI agents, eligibility has no service credit minimum if the disability is caused by an on-the-job injury.
- » Be ineligible for full service retirement.
- » Not have withdrawn his/her PERA member contribution account.
- » Submit a *Disability Program Application* no later than 90 days after termination of employment date (including the final date of a certified leave of absence).

The medical condition causing the disability must exist prior to when the member terminates PERA-covered employment (including ending a leave of absence).

PERA makes the determination of whether a disability applicant meets these statutory eligibility requirements. If they are met, the *Disability Program Application* is forwarded to Unum for medical review and determination.

### EMPLOYER RESPONSIBILITIES IN THE APPLICATION AND MEDICAL REVIEW PROCESS

- » Encourage your eligible members to contact PERA and to apply for the disability program as soon as their medical condition prevents them from working. Note that in all cases, a *Disability Program Application* must be received by PERA, not the employer, no later than 90 days after termination of PERA-covered employment. If this deadline is not met, the member is ineligible for the disability program regardless of his/her medical condition.
- » PERA will notify you if the applicant meets the eligibility requirements. After this, expect a call from Unum. Unum will talk to the member's supervisor to learn about the job duties, how the member was doing before stopping work, and whether light duty or accommodations are possible. Unum will also provide the employer with an *Authorization to Obtain Information* form signed by the PERA member.
- » Submit a *Certification of Leave of Absence* to PERA if a member will be on leave of absence without pay for any reason prior to applying for either short-term disability or disability retirement.
- » Advise members about any continuation of employer-sponsored benefits available during the benefit application process or while on short-term disability or disability retirement.

Following Unum's review of the information obtained in the medical review process, you will be notified of the determination of short-term disability payments, disability retirement, or not disabled.

- ▶ General questions about the PERA disability program and eligibility requirements to apply should be directed to PERA's Customer Service Center at 1-800-759-7372.

Questions about the status of a *Disability Program Application*, medical standards, or the application process should be directed to Unum at 1-877-877-5125.



### **If the Member is Approved for Short-Term Disability Payments**

PERA law does not require continued employment while receiving STD payments. Other statutory provisions may require this and you should be aware of them. While receiving STD payments, the employee continues to have PERA membership according to the member's active or inactive status. If the member is on an approved leave of absence, it is important that a *Certification of Leave of Absence* form be completed and submitted to PERA to protect the employee's PERA membership rights.

PERA contributions are not made on STD payments; however, employers must remit contributions for any member who returns to work for a PERA-covered employer in a light duty or non-rehabilitative assignment position in which PERA membership is required.

Coordinate with Unum any light duty or accommodations when feasible. Unum provides return-to-work assistance such as short-term training and job modifications in partnership with the employer.

You may opt to keep the member on your employer-sponsored health care program while receiving STD. As an alternative, if approved for STD, the member and his/her eligible dependents may participate in the PERACare Health Benefits Program at the member's cost. (No health care subsidy applies.)

If the member is approved for STD and has an account in the PERAPlus 401(k) or 457 Plan, the member may leave the account in the Plan. No contributions can be made from STD payments. PERAPlus 401(k) or 457 Plan contributions can be made from any salary from temporary work or paid leave from the employer.

If the member returns to work in a PERA-covered position after STD ends, contributions must be made and service credit accrual resumes. If the member does not return to PERA-covered employment, he/she is an inactive member and will be eligible (but not required) to refund or receive a retirement benefit when eligible.

### **If the Member is Approved for Disability Retirement Benefits**

If the member is approved for disability retirement benefits, PERA will notify you and request that you complete a *Disability Retirement Employment Termination Certification* for the member since termination of PERA-covered employment is required before disability retirement benefits can begin. Include all applicable items and return the form to PERA as soon as accurate information is available. The "Last Date Physically on the Job" is the last day the member is present at work. The "Last Date of Sick or Injury Leave Actually Used" is the last day the member is paid for sick or injury leave actually used.

Disability retirees have restrictions on their post-retirement return-to-work activities for both PERA employers and non-PERA employers. These restrictions are explained in the *Colorado PERA Disability Program* booklet. Employer and working retiree contributions are due on any salary earned by a disability retiree who returns to work for a PERA employer.

After disability retirement, the retiree may opt to participate in the PERACare Health Benefits Program. (The health care subsidy applies.) As the former employer, you may opt to offer continued health benefits as your policies allow.

A disability retiree may keep his/her PERAPlus 401(k)/457 accounts with the Plan or withdraw it. PERAPlus 401(k) Plan contributions can be made on any post-retirement salary earned from a PERA employer. PERAPlus 457 Plan contributions can be made on any post-retirement earned from a PERA employer affiliated with the 457 Plan.

### **Termination of Disability Retirement**

If the disability retiree recovers, he/she may be eligible for STD payments or no further disability program benefits. If the disability retiree returns to PERA-covered employment, contributions must be made and service accrual resumes. If the disability retiree does not return to PERA-covered employment, the account becomes inactive and he/she may refund any remaining account balance, but is not required to do so. If the member has met the service and age requirements to be eligible for a reduced service retirement from PERA and wishes to begin receiving retirement benefits, he/she should contact PERA to request an estimate and a *PERA Retirement Application Kit*.



## SECTION 10-COLORADO PERA SURVIVOR BENEFITS PROGRAM

PERA's survivor benefits are part of the basic benefits PERA provides. Survivor benefits are paid to the qualified survivors or named beneficiary(ies) of the deceased member. The statutes and rules governing eligibility for survivor benefits and the order in which qualified survivors receive benefits are different under the PERA and DPS benefit structures. PERA's *Survivor Benefits* brochure explains this program in greater detail. Please be advised that benefits are paid in accordance with survivor benefits law and not necessarily to the named beneficiary.

Please note that PERA survivor benefits are separate from any optional life insurance coverage the deceased member may have had. Also, this program is separate from joint-life benefits that a retiree may select at retirement to protect an individual (called a cobeneficiary) after the retiree's death.

### EMPLOYER RESPONSIBILITIES IN THE PERA SURVIVOR BENEFIT PROCESS

Employers should notify PERA immediately if a member dies. An employer can do this by calling PERA's Customer Service Center or their Employer Representative. When contacting PERA about a member death, please be prepared to provide the following information:

- » The member's name, SSN, and date of death.
- » If the death was job incurred (a job-incurred death is one in which the illness or injury which caused the death resulted from the performance of job duties).
- » The name, address, telephone number (work or home), and relationship to the deceased member of any contact person you may have on file or with whom you have been in contact.
- » The marital status of the deceased and the name of the spouse, if any.
- » If the spouse is a PERA member or retiree (if known).

After notification of a member death, a PERA Benefits Counselor from PERA's Benefit Services Division will contact any survivors and determine benefits payable. The PERA Benefits Counselor will also send you a *Death Notification/Salary Report* to complete. This form may also be completed online.

### Completing a *Death Notification/Salary Report*

The *Death Notification/Salary Report* details information about pay and contributions that a member has received or is expected to be paid in the final three months before death.

- » PERA contributions should be made on salary and vacation or summer accrual pay earned up to, and including, the day of death. Do not deduct PERA contributions from any lump-sum payment based upon unused sick leave.
- » Be sure to select the correct box if the death was job-incurred since this situation may affect the benefits to be paid to qualified survivors. A job-incurred death is one in which the illness or injury that caused the death resulted from the performance of job duties.
- » Be sure to provide the member's appropriate employment status at the time of death since benefits to qualified survivors may vary depending on the member's employment status.
- » The last date physically on the job refers to the last date the member physically worked for the employer.
- » The termination date for an active member would be the date of death.
- » List the final three months of salary. PERA uses the Base Pay and Extra Pay information to determine service credit. Regular monthly salary or hourly rate multiplied by the hours worked information is recorded in the Base Pay boxes. Overtime, shift differential, or other pay is recorded in the Extra Pay boxes. If the member is owed payment for vacation or annual leave, or contract accrual pay that was earned, but not yet paid as of the date of death, the amount should be shown in the Extra Pay box. Please explain the payment in the Extra Pay Breakdown.
- » Report member contributions for the monthly total for Base Pay plus any Extra Pay.

If any of the information provided on a *Death Notification/Salary Report* changes after it has been submitted, a revised *Death Notification/Salary Report* should be submitted. Please mark "revised" on the new *Death Notification/Salary Report*.

► A *Death Notification/Salary Report* may be completed online. Please refer to the "Forms" section of the *Using STARS* guide for more information.



## SECTION 11-COLORADO PERA LIFE INSURANCE PROGRAM

### LIFE INSURANCE PROGRAM OVERVIEW

PERA has offered a voluntary group decreasing term life insurance program to its members since 1956. Over the years, PERA has worked with a number of insurers, including New York Life, Prudential, and Rocky Mountain/Anthem Life. Since 2005, PERA's life insurance program has been administered and insured by Unum.

#### Unit-Based Open Plan

The life insurance plan open to new enrollments is the unit-based plan administered by Unum. Employees who are active PERA members are eligible to enroll in the plan and purchase additional units of coverage. Employees may elect one, two, three, or four units of coverage. Four units is the maximum amount of coverage available. The premium is \$7.75 per unit and includes coverage for life insurance, accidental death and dismemberment, an accelerated death benefit, dependent life insurance, and survivor financial counseling. The schedule of benefits and additional information about the coverage is available on PERA's website.

#### Closed Plans

The life insurance program includes several closed plans. New members cannot enroll in these plans, but these plans continue for those already enrolled.

### ELIGIBILITY, ENROLLMENTS, AND CHANGES

#### New Employees

New employees who are also new PERA members may enroll in life insurance within 90 days of employment without evidence of insurability (medical underwriting).

An employee who is new to you may not be new to PERA membership. The following list will help you determine eligibility when a new employee is not a new PERA member:

- » New employees who are already PERA members can apply for life insurance at any time, subject to evidence of insurability.
- » New employees who are already enrolled, but not for the maximum of four units, can apply to increase coverage by adding units, subject to evidence of insurability. (An employee who is already enrolled in life insurance may ask you to start deducting premiums, which you may do.)

- » New employees who are PERA retirees and will continue to receive a retirement benefit are not eligible to enroll in the life insurance program or increase coverage.
- » New employees who are PERA retirees and suspend their retirement to return to work will have member contributions deducted from pay. These employees are considered PERA members and can apply for insurance, subject to evidence of insurability.
- » Former employees that you rehire may or may not have retained life insurance coverage. Do not restart any prior premium deductions unless you receive authorization from Unum. Former employees who previously refunded their PERA accounts may be eligible to enroll as new PERA members. Otherwise, they would be subject to evidence of insurability.

#### Existing Employees

Active PERA members can enroll in life insurance at any time, subject to evidence of insurability. Members who are not at the maximum coverage level (four units) also can increase coverage at any time, subject to evidence of insurability.

PERA holds an annual open enrollment period (currently in April and May) when members can enroll in the plan or increase coverage without evidence of insurability. Unum sends an open enrollment flyer to members who are eligible to enroll and who are not at the maximum coverage level.

Members who are approaching retirement may apply for coverage prior to retirement, but they cannot apply once they have retired. The completed life insurance application (including an evidence of insurability form, if required) must be received by Unum prior to the member's retirement effective date. Most PERA members retire during the summer months, so the April/May open enrollment period allows them to enroll prior to retirement without evidence of insurability. If retiring members apply outside of the open enrollment period, they are subject to evidence of insurability.

► Unum's toll-free telephone number:  
1-866-277-1649  
Unum's mailing address for forms:  
2211 Congress St.  
Portland, ME 04122

## Enrollment Process

New PERA members are mailed a life insurance enrollment packet directly from Unum. The packet includes forms which the member can complete and return directly to Unum. Instructions for completing the enrollment online through PERA's secure website are included in the enrollment packet. Employees need a User ID and password to enroll online.

Existing employees can request enrollment forms directly from Unum or enroll online through PERA's secure website.

To order a supply of enrollment materials for your office, contact Unum directly at 1-866-277-1649. They will email PDF files of the current materials to you.

### Example of the Enrollment Process

- » New employee who is also a new PERA member starts work on August 15.
- » Employee elects two units of coverage, completes life insurance enrollment and beneficiary forms on August 17 and sends them to Unum.
- » Unum notifies employer on the Monday after the enrollment is approved to begin \$15.50 premium deduction for employee.
- » Employer takes \$15.50 deduction from next payroll, which is paid to employee on September 15.
- » Employee's insurance coverage begins on October 1 (the first of the month after the date of the first full deduction).

## Cancellations and Decreases in Coverage

Employees may cancel coverage or decrease their number of units at any time, either online or by writing directly to Unum. The effective date of the cancellation or decrease will be the first of the month following either the date of the online request or the date the written request is received by Unum.

## Beneficiary Changes

Employees may add or change their beneficiaries online or by calling Unum and requesting a beneficiary form.

## EMPLOYER RESPONSIBILITIES IN THE LIFE INSURANCE PROCESS

Life insurance enrollments and changes are designed to be self-service processes. If employees ask you for assistance, you can direct them to Unum's website, which can be accessed through PERA's website, or they may call Unum's toll-free PERA Customer Service Center at 1-866-277-1649.

If employees give you enrollment forms, beneficiary forms, or cancellation requests, mail them to Unum or direct the employees to mail them. Until Unum receives an enrollment form and a full premium payment, insurance is not in effect.

When an enrollment is completed (or approved in the case of an application subject to evidence of insurability), Unum sends you an email authorization to start payroll deductions. Do not start payroll deductions before you receive this authorization from Unum.

## PREMIUM DEDUCTIONS AND PAYMENTS

Most members pay premiums through monthly payroll deduction. The employer submits premiums to PERA as part of PERA's contribution reporting process. PERA, in turn, submits premium reporting information to Unum for processing.

Insurance coverage is effective the first of the month after the date of the first full premium deduction. The date of the deduction is equal to the date of the paycheck.

Credits are not allowed for life insurance premiums already submitted through the contribution reporting process. Any reconciliation of overpaid premiums will be initiated by Unum and refunded to the member.

## Authorization to Start or Stop Payroll Deductions

Each week, you will receive an email from Unum with an attached spreadsheet that lists all of the pending deduction changes for your employees (additions, changes, and cancellations). This notice from Unum authorizes you to make the changes on your next payroll. Any questions on these changes should be directed to Unum by responding to the original email or by calling Unum.

## Employees Working for More Than One PERA Employer

The employee should decide which employer should take premium deductions, based on which employer is likely to be the most regular employer. Multiple employers cannot submit partial premium deductions, nor can deductions come from multiple employers at the same time. The employee should notify Unum which employer should take the premium deduction by noting this on the enrollment form or by calling Unum. Unum will then notify the appropriate employer to begin deductions, and notify other employers to stop deductions if necessary.

## **Employees Who Are Not Paid Over 12 Months and Part-time or Seasonal Employees**

You may take premium deductions in advance for employees such as teachers who do not receive summer pay, or other employees when you know in advance that they will not receive pay for one or several months. Premiums will be held as a pre-paid balance, and will be used to pay monthly premiums as they become due.

For part-time or seasonal employees, you may not know in advance which months they will not be paid. If the employee does not receive a paycheck, and no life insurance premium is submitted, the insurance will lapse. Unum will contact both you and the employee concerning the missed payment. See "Missed Payments" below.

### **Direct Payments to Unum**

For those employees who do not receive regular pay, the option of direct payment through Automated Clearing House (ACH) deduction from a personal checking or savings account is available. The direct payment option is helpful to part-time or seasonal employees who remain PERA members, but do not work for you on a regular basis. PERA and Unum have no way of identifying these intermittent employees when they first enroll, but are likely to find them when monthly payments are missed. If you have a way to identify them and want to suggest the ACH payment option, you may advise them to call Unum to set up these payment arrangements.

### **Missed Payments**

For employees who pay premiums by payroll deduction, Unum will notify you when a premium payment is missed and ask you to make an adjustment on the next payroll. Unum also notifies employees directly if premium payments are missed, so if the member is no longer working for you, or if it is too late for you to make the adjustment to the next payroll, Unum will work with the member to arrange payment.

## **EMPLOYMENT STATUS CHANGES**

### **Retirement**

When an employee retires, life insurance continues unless the employee chooses to cancel it. PERA will take monthly premium deductions from PERA's retirement benefit payroll. The employee/retiree does not need to contact PERA or Unum to start retirement benefit payroll deductions. If the retiree returns to work for you after retirement, you should not restart life insurance deductions.

## **Termination of Employment**

In most cases, neither PERA nor Unum would know that the employee had terminated employment until after the fact, and Unum would still be expecting to receive premium payments. Unum will contact both you and the employee concerning the missed payment.

An employee who terminates employment and does not withdraw his/her PERA account can continue life insurance. The employee should contact Unum to set up the direct payment through the ACH option described earlier. If the employee does not make arrangement for direct payment, insurance will be canceled.

An employee who terminates employment and refunds his/her PERA account is not eligible to continue PERA's group life insurance. An employee who notifies Unum within 31 days of the date of refunding his/her PERA account that he/she wants to continue life insurance on an individual basis will be provided with a portability or conversion option.

### **Leave of Absence or Disability**

Employees who are on a leave of absence or short-term disability may continue life insurance coverage as long as they continue to pay premiums. They should contact Unum to set up direct payments by ACH deduction from their personal checking or savings account. See the "Retirement" section at left for employees who retire due to disability.

### **Claims Payments**

Unum has a very easy, streamlined process for reporting a death and initiating a claim. The employee's survivors can start the process by calling Unum. If you assist your employees' survivors in these kinds of matters, you can make the call to Unum. Unum will provide instructions regarding any additional documentation that will be required to finalize the claim (such as a death certificate) and will follow up with a letter to the designated beneficiary(ies) on file. Unum will offer financial counseling to beneficiaries who are survivors as part of the program.

Unum will pay the death benefit to the designated beneficiary(ies).





## SECTION 12-PERACARE HEALTH BENEFITS PROGRAM

### PERACARE OVERVIEW

PERA has offered a health care program for retirees since 1986. In July 1999, legislation was passed allowing PERA employers to offer PERA's health care program to their employees who are PERA members. Participation in the program by an employer is voluntary.

PERACare was created effective January 1, 2001, to provide a program that would meet the needs of employers, active members, and the retired members already covered. The program includes health care, dental, and vision coverage through a number of different carriers. The hallmark of PERACare is choice—choices in benefit coverage levels, provider networks, and premium levels. PERACare makes it possible for employers to offer these choices.

Employers who adopt the PERACare Health Benefits Program are relieved of the administrative burdens associated with running a health benefits program. PERA's Insurance Division becomes part of your team, providing the following administrative services:

- » Creating and modernizing plan designs.
- » Negotiating and contracting with carriers.
- » Conducting open enrollment meetings.
- » Processing enrollments.
- » Assisting members with claims issues.
- » Processing monthly billings online and real-time.
- » Streamlining paperwork and forms.
- » Administering COBRA.
- » Assisting employer benefits staff.
- » Monitoring carriers' performance.

### INFORMATION ABOUT JOINING PERACARE

In order for active members to participate in PERACare, you (the employer) must first join the program. Information regarding the carriers, benefits, premiums, and how to join the program is available on PERA's website.

### INITIAL EFFECTIVE DATE POLICY

You may join PERACare on the first of any month. Subsequent renewals will occur on either January 1 or July 1, determined as follows:

- » If the initial effective date is January 1 through June 1, the renewal will occur on the following January 1.
- » If the initial effective date is July 1 through December 1, the renewal will occur on the following July 1.

If you join the program in a month other than January or July, you will have a short first year. Thereafter, the renewals will occur every 12 months.

### IMPLEMENTATION

Once you submit a letter of intent to join PERACare, the PERA Insurance Division assigns an insurance administrator to assist in implementing the program. You will work with the insurance administrator to determine an implementation timeline. We want to ensure that all enrollment paperwork is completed and processed in time for members to receive their ID cards and benefit booklets prior to the effective date. Implementation should be completed at least two weeks prior to the effective date.

Implementation includes the following:

- » Completing a *Participation Agreement* and ACH banking form.
- » Holding open enrollment meetings.
- » Collecting enrollment forms from all employees enrolling.
- » Processing enrollments.
- » Training your benefits staff.

The billing process is completed online, so you will be given a password to PERA's website. (Note: The password is specific to the person who handles PERACare. If the person who accesses PERA's website for contribution reporting also handles PERACare, the password would be the same.)

► For more information about joining PERACare, contact:  
Jessica Linart, Insurance Manager  
303-863-3736  
jlinart@copera.org

## PARTICIPATION AGREEMENT

The *Participation Agreement* is a document that outlines PERA's responsibilities and the employer's responsibilities regarding the administration of PERACare. The following is a summary of some of the responsibilities you agree to meet:

- » Participate in the program for a period of one year.
- » Determine rules for eligibility of your employees within guidelines established by PERA.
- » Offer all benefit plans to participating employees.
- » Offer no other health care or vision plans to your employees (if offering PERACare's dental plans, also agree to offer no other dental plans).
- » Contribute at least 50 percent of the employee-only cost for the lowest cost plan available.
- » Report newly eligible employees by the 25th of the month.
- » Reconcile eligibility and enrollment data monthly.
- » Pay premium by ACH on the due date.
- » Provide initial COBRA and HIPAA rights notices.
- » Provide 30-day advance written notice to terminate the agreement, and understand you cannot re-enter the program for a period of two years.

## BANKING ARRANGEMENTS

PERA collects premiums from all participating employers on the last business day of the month so that the carriers can be paid on the first business day of the month. You pay premiums by allowing PERA to complete an ACH withdrawal from your bank account. You complete an *Authorization Agreement for Preauthorization of PERACare Payments*, authorizing PERA to debit your account on the last business day of the month. See "Billing Process" on page 49.

## ELIGIBILITY

You decide the eligibility criteria for your employees and the criteria are included as an exhibit to the *Participation Agreement*. You may change the criteria on the plan anniversary. The following are the PERACare eligibility guidelines.

## Eligible Employees

Eligible employees must be PERA members. The minimum number of hours you can set for eligibility is 16 hours per week. The minimum applies to the time when the employee is actively at work. (For example, if an employee does not work during the summer months, but works at least 16 hours per week otherwise, that person could be eligible for PERACare coverage.)

PERACare does not require that a minimum number of eligible employees participate in the program.

## Effective Date

You may start coverage as early as the first day on the job or set a waiting period of up to 90 days before coverage starts. Enrollment forms must be received at PERA no later than 30 days after the employee's effective date. If an enrollment form is received later than this, the employee will have to wait until the next open enrollment period to enroll.

## Eligible Dependents

Eligible dependents include spouses through marriage or civil union, domestic partners, children, and dependent grandchildren. (You are not required to offer coverage for dependents.)

Children include children who are natural, legally adopted or placed for adoption, and stepchildren. Grandchildren are eligible if the employee has legal custody or guardianship of the child, or if the child qualifies as a dependent for income tax purposes and lives with the employee. Children and grandchildren must be under age 26. Children who are certified as disabled and dependent on the employee, regardless of age, are eligible if they became incapacitated prior to age 18.

## Waiver of Coverage

Employees may waive all coverage or enroll in some coverages and waive others. (For example, an employee may enroll in dental and vision and waive health care.) PERACare does not require that a waiver form be signed by the employee, but you may require a form.

## ENROLLMENTS AND CHANGES

You are responsible for obtaining any forms that are required for enrollments and changes. Enrollment forms and change forms can either be mailed or faxed to PERA at 303-863-3822. Notice of employee cancellation requests and terminations should be emailed to the Insurance Division at [InsuranceDivision@copera.org](mailto:InsuranceDivision@copera.org). Once PERA is notified of a termination, if it is due to a qualifying event, PERA notifies the COBRA administrator.

Since you determine eligibility for coverage and notify PERA of such eligibility, forms or documents that substantiate eligibility do not need to be sent to PERA. You should keep these forms or documentation in the employee's file. These forms and documents include *Affidavit of Common Law Marriage* and *Affidavit of Domestic Partnership*. Also, if you require a waiver of coverage form, you should keep that form.

## PREMIUMS

Premiums are payable on the first of the month. You are charged the full premium based on the coverage level and plan the employee selects plus the administrative fee associated with that coverage level. Employees may select from the following four coverage levels or tiers:

- » Employee only
- » Employee + Spouse
- » Employee + Children
- » Employee + Family

You are responsible for determining the employer contribution amount and collecting any balance from the employee.

### Administrative Fees

PERA charges a monthly administrative fee for each employee enrolled in health care according to the employee's coverage level. No fee is assessed to employees enrolled in only dental and/or vision coverage. The fee schedule is as follows:

- |                       |        |
|-----------------------|--------|
| » Employee only       | \$3.00 |
| » Employee + Spouse   | \$6.00 |
| » Employee + Children | \$6.00 |
| » Employee + Family   | \$9.00 |

### Employer Contributions

You are required to contribute at least 50 percent of the employee-only cost for the lowest cost plan available.

## BILLING PROCESS

The billing process begins around the 10th of the month for the following month's premium. PERA runs a preliminary premium register and sends you an email, notifying you that the billing is available on the website for viewing. You have until the deadline, usually the 26th of the month, to make any changes. (If the 26th is on a weekend, the deadline date would change and would be included in the email.) PERA runs the final premium register on the deadline and this is the amount that will be deducted from your bank account on the last business day of the month.

## COBRA AND HIPAA ADMINISTRATION

Initial notification of COBRA and HIPAA rights needs to be provided to all employees, not just those who enroll in PERACare. You are responsible for fulfilling this obligation.

PERA handles all administration for employees or dependents who become eligible for COBRA by meeting a qualifying event. You notify PERA when an employee or a dependent meets a qualifying event. PERA's COBRA administrator contacts the employee or dependent and handles all administration from that point forward.

- ▶ To administer PERACare, you will need to use the following forms:
  - » *PERACare Program Enrollment/Change Form*
  - » *Affidavit of Domestic Partnership*
  - » *Affidavit of Common Law Marriage*

## RENEWALS

Premiums and benefit changes are available for the next plan year approximately three months prior to the effective date of the changes. PERA emails you explaining the renewal and offering assistance with open enrollment. The coverage will automatically renew unless you decide to cancel coverage.

If you decide to cancel coverage you must give PERA 30-day advance written notice and may not rejoin the program for a period of two years.

## OPEN ENROLLMENT

Most employers conduct an annual open enrollment meeting to explain new benefits or changes to benefits and give employees the opportunity to enroll or make changes to their coverage. PERA will provide materials such as health plan descriptions and rate sheets for you to distribute. PERA will also assist you in conducting open enrollment meetings. Open enrollment should be scheduled so that the deadline for enrollments and changes is at least two weeks prior to the effective date.





This *Employer Manual* provides procedural information for Colorado PERA-affiliated employers as they apply to PERA processes. Membership rights, benefits, and obligations are governed by Title 24, Article 51 of the Colorado Revised Statutes, and the Rules of the Colorado Public Employees' Retirement Association, which take precedence over any interpretations in this *Manual*.

## Contact PERA



Visit PERA's website at  
[www.copera.org](http://www.copera.org).



Call PERA's Customer Service  
Center at 1-800-759-7372.



Visit the PERA offices at  
1301 Pennsylvania Street in  
Denver or in Westminster at  
1120 West 122nd Avenue.



Send mail to PERA at  
PO Box 5800  
Denver, CO 80217-5800



Forms and publications can be found  
on the PERA website. Copies can  
also be requested by calling PERA's  
Customer Service Center.