

Senate Bill 04-90. Confidentiality of Certain Information on PERA Private Equity and Other Alternative Investments

Status: Signed by the Governor on March 29.

Sponsored by Sen. Norma Anderson (Lakewood) and Rep. Gayle Berry (Grand Junction), this bill was developed by the venture capital industry. The purpose of the bill is to clarify the confidentiality of information regarding PERA's private equity, private debt, and timber investments until the transaction is completed if PERA determines that disclosing such information would jeopardize the value of the investment.

PERA testified in favor of this legislation because of the need to have confidential information on private companies in order to evaluate possible new investment opportunities and to keep a close eye on existing investments. PERA already discloses information on these investments, such as the name of each fund and the rates of return, and will continue to do so. PERA's "alternative investments" include investments in venture capital, leveraged buyout funds, timber, and "special situation" investments that include mezzanine debt. Alternative investments currently constitute about 10 percent of the total PERA investment portfolio.

Senate Bill 04-132. Suspension of MatchMaker Contributions

Status: Signed by the Governor on April 30.

Sponsored by Sen. Ken Arnold (Westminster) and Rep. Brad Young (Lamar). Cosponsors included Reps. Diane Hoppe (Sterling), Frank Weddig (Aurora), Suzanne Williams (Aurora), and Tambor Williams (Greeley). The PERA Board of Trustees initiated this bill to help improve the funded status of the PERA trust funds.

The provisions of this bill will:

- End MatchMaker contributions for payrolls for which the payroll period ends June 1, 2004, or later.
- Reduce interest credit on member contributions to a maximum of 5 percent per year.
- Set the due date for PERA contributions at five business days after payroll date.
- Reallocate 0.08 percent of salary of employer contributions to the PERA pension trust funds rather than to the PERA Health Care Trust Fund.
- Provide that members hired on or after July 1, 2005:
 - Would be eligible for reduced retirement benefits at age 50 with 30 years service.
 - Would receive annual post-retirement increases of 3 percent or the actual change in the Consumer Price Index, whichever is lower.

This issue contains summaries of legislation from the 2004 session that impact Colorado PERA.



Senate Bill 04-257. Modifications to the Retirement Plans for Public Employees

Status: Signed by the Governor on June 4.

Sponsored by Sen. Dave Owen (Greeley) and Rep. Brad Young (Lamar) this bill includes the following provisions:

- New state employees hired on or after January 1, 2006, will be eligible to select the State 401(a) Defined Contribution (DC) Retirement Plan, a new PERA DC Plan, or the PERA Defined Benefit Plan. Any new-hire employee at an institution of higher education is ineligible for the option, but can continue participation in the PERA DC Plan or State DC Plan if transferring from a State position while covered by either plan.
- An employee is a “new hire” who is eligible to join either PERA or the State DC Plan if he or she begins employment with the state on or after January 1, 2006. However, if the new employee has been a member or a retiree of PERA, or has been an active participant covered by the State 401(a) Defined Contribution Retirement Plan, the new employee must have been out of state employment for at least 12 months prior to becoming a new hire in order to be eligible to choose between PERA and the State DC Plan. If the new employee doesn’t meet these conditions, he or she will continue to be covered by the plan in which they last participated.
- Each new hire state employee will have 60 days from his or her first day of employment to elect whether to be in PERA, the PERA DC plan, or the State DC Plan. Each employee will be covered by the PERA Defined Benefit (DB) Plan until he or she makes an election.
- An employee who makes no election will be covered by the PERA DB Plan during the 60-day period and remain a PERA member afterward.
- The state employer contribution rate will be 10.15 percent of salary. This amount goes to the State DC Plan if the new hire elects that plan, and it goes to PERA if the new hire elects PERA.

In addition, SB 257 will provide the following changes for the PERA DB Plan:

- Separation of the current State and School Division into separate divisions. The purpose of separating the divisions is to ensure that the School Division pension trust would not incur any actuarial losses due to the retirement plan options offered to state employees.
- Increase in the School employer contribution due to separation. The actuarial normal cost of PERA benefits in the School Category is about 0.4 percent of salary higher than in the State Category. This difference would be applied to the School employer rate beginning January 1, 2013 (after the Amortization Equalization Disbursement has been fully implemented, see below). At that time, the School employer rate becomes 10.55 percent (10.15 percent plus 0.4 percent), not including the AED.
- Each PERA employer in the State Division will pay to PERA an amount equal to 0.5 percent of the salaries paid to all employees who are PERA members or who were eligible to elect PERA membership on or after January 1, 2006. This is called the Amortization Equalization Disbursement (AED). The AED payment begins January 1, 2006. The AED will increase by 0.5 percent of salary in 2007, and then by 0.4 percent of salary per year to a maximum of 3 percent of salary by 2012. The School Division is scheduled under the bill to have another increase effective in 2013.
 - If the unfunded liability amortization period drops to 40 years or less, the AED would be scaled back in that division. Any reduction in the AED would be permanent. Current projections indicate it is unlikely that the amortization period will drop to 40 years for a long time.
- Require employer contributions on salaries paid to PERA retirees. This will help compensate PERA for the cost of early retirement. Beginning July 1, 2005, PERA employers will pay employer contributions on salaries of PERA retirees working for them.

Colorado PERA thanks (as pictured below, top to bottom) Sen. Ken Arnold, Sen. Dave Owen, and Rep. Brad Young for sponsoring SB-132 and SB-257. PERA also would like to recognize Rep. Rosemary Marshall (bottom) for her support of PERA during a House debate on SB-257.



Legislation Introduced That Did Not Pass

Senate Bill 04-165. Fiscal Analysis of Changes in the Employer Contribution Rate to PERA

Status: Failed in House Finance Committee on April 8.

Sponsored by Sen. Mark Hillman (Burlington), and Rep. Greg Brophy (Wray), the bill would have required that any fiscal note that the Legislative Council prepares on legislation that concerns PERA include information from the PERA actuary. Also, the bill would have required that PERA meet with the Legislative Audit Committee and the Joint Budget Committee prior to each session to discuss any legislation that PERA plans to present.

House Bill 04-1011. Alternative Personnel System for Institutions of Higher Education

Status: Failed in Senate on March 12.

Sponsored by Rep. Keith King (Colorado Springs) and Sen. Norma Anderson (Lakewood), the bill would have allowed colleges and universities to drop the state classified personnel system for their employees and adopt an alternative personnel system.

Other Bills of Interest to PERA

Senate Joint Resolution 04-28. Social Security Personal Retirement Accounts

Status: Passed by the Legislature on May 3.

Sponsored by Sen. Bruce Cairns (Aurora) and Rep. Bill Cadman (Colorado Springs), SJR 28 states that the Colorado General Legislature respectfully request “that the members of Colorado’s congressional delegation support optional personal retirement accounts and not support increases in payroll taxes and cuts to Social Security benefits.” The resolution also states that not reforming the Social Security system will require a 50 percent tax increase on every working American or a 30 percent benefit cut, and states that allow younger workers to invest a portion of their income in personal retirement accounts will avoid any Social Security benefit cuts or tax increases.

Senate Bill 04-94. High-Deductible Health Savings Accounts

Status: Signed by the Governor on May 17.

Sponsored by Sen. Bob Hagedorn (Aurora) and Rep. Lola Spradley (Beulah), this bill conforms state law to the federal law enacted last fall that allows individuals under age 65 to contribute to a Health Savings Account (HSA) if they are covered under a health plan with a high deductible. Under federal law, the minimum annual deductible for individual coverage under eligible plans is \$1,000 and for family coverage, \$2,000. Contributions to an HSA are tax-free, and amounts used for eligible health premiums and medical expenses are not taxed. The account balance in a person’s HSA can carry forward from one year to the next.

Sen. Hagedorn offered a broad amendment to the bill at PERA’s request that was adopted by the Legislature. It includes a clarification that amounts deducted from PERA members’ pay for contribution to an HSA or any retirement health savings account program would be subject to PERA contributions.

The amendment also excludes from PERA salary any compensation for unused sick leave contributed to an HSA or retirement health savings account. Also excluded is any compensation paid by the employer to a member because the member’s accumulated leave exceeded the maximum number of leave days that the employer allows him or her to carry over to the following year, if the compensation is paid directly into the HSA or the retirement health savings account. This would be compensation, but it would not be salary for PERA purposes.

Other Bills of Interest to PERA (continued)

Senate Bill 04-107. State Deferred Comp Plan and Public Officials' DC Plan

Status: Signed by the Governor on April 1.

Sponsored by Sen. Mark Hillman (Burlington) and Rep. Dale Hall (Greeley). This legislation ensures confidentiality of financial information for participants in the two plans and makes other technical changes to the plans.

House Bill 04-1007. Obligations of Higher Education Governing Bodies That Have ORPs

Status: Signed by the Governor on February 20.

Sponsored by Rep. Tambor Williams (Greeley) and Sen. Stephanie Takis (Aurora). The bill upgrades the responsibilities and fiduciary duties of the governing boards concerning the Optional Retirement Plans (ORPs) for colleges and universities that established ORPs for their faculty and top administrators in the early 1990s. The legislation arose from a performance audit of the ORPs by the State Auditor's Office in 2002, and was proposed by the Legislative Audit Committee.

House Bill 04-1171. Retirement Health Savings Trust

Status: Signed by the Governor on May 21.

Sponsored by Rep. Frank Weddig (Aurora) and Sen. Bob Hagedorn (Aurora), this bill would require the State Personnel Department to investigate the feasibility of a program in which active state employees could elect to make voluntary contributions to an account that would be used for their future retiree health care expenses.

House Bill 04-1373. Modifications to the "State Personnel System Act" and House Concurrent Resolution 04-1005

Status: Both the bill and the resolution were passed by the Legislature on April 30.

Sponsored by Rep. Rosemary Marshall (Denver) and Sen. Norma Anderson (Lakewood), none of the provisions of HB 1373 or HCR 1005 will directly affect PERA. Among the features of HCR 1005 is a provision expanding the number of state employees who may be exempt from the classified personnel system. These two pieces of legislation are a result of the work done by the Commission on Civil Service Reform that met last summer. HCR 1005 places certain changes to the Colorado Constitution that pertain to the civil service system for state employees on the November 2004 ballot.



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