Colorado
Legislative
Council
Staff

Room 029 State Capitol, Denver, CO 80203-1784
(303) 866-3521 FAX: 866-3855 TDD: 866-3472

MEMORANDUM

September 28, 2010

TO: Interested Persons

FROM: Geoffrey Johnson, Research Associate, 303-866-4788

SUBJECT: Colorado PERA 2010 Reform Legislation and Historical Funded Status.

This memorandum provides a brief description of the Colorado Public Employees' Retirement Association (PERA), presents the pension plan's historical funded ratio, and summarizes provisions of 2010 PERA reform legislation.

2010 Colorado Pension Reform Legislation

During the 2010 legislative session the General Assembly enacted a comprehensive pension reform bill, Senate Bill 10-001, which was designed to increase PERA's actuarial funded ratio to 100 percent within 30 years. Senate Bill 10-001 will take effect on January 1, 2011, except for provisions of the bill addressing changes to retirees' annual post-retirement benefit increases. These sections of the bill took effect on February 23, 2010. The legislature also enacted Senate Bill 10-146, temporarily shifting a portion of PERA employer contributions to employees. SB 10-146 became effective on March 31, 2010.

Colorado PERA overview. Colorado PERA, created by the Colorado General Assembly in 1931, manages retirement benefits for approximately 92,000 PERA retirees and 373,600 PERA members who work for more than 400 employers (as of June, 2010). These employers include state government, school districts, state universities and colleges, the state judicial branch, many Colorado municipalities, and state troopers. Most PERA members are not eligible to accrue Social Security benefits. PERA members vest in their pension benefits after five years of employment.

PERA administers a defined benefit pension plan and defined contribution plans, in addition to a health care fund and a life insurance plan. PERA's defined benefit and defined contribution pension plans are funded through employee and employer contributions and investment earnings. A *defined benefit* plan is a pension plan that guarantees a certain retirement benefit based on predetermined factors. The factors used in the calculation of the *defined benefit* typically include the retiring member's age, years of service to the employer, salary, and a fixed benefit accrual rate (a percentage of salary for each year of service). A *defined contribution* plan provides benefits based solely on the contributions that are made to the account by the employer and employee, and the level of investment earnings in the account over time. Investment risk in *defined contribution* plans is borne by the employee, investment risk in *defined benefit* plans rests solely with the plan sponsor.

PERA members work in one of five PERA divisions: the state division, school division, Denver Public Schools division, local government division, and judicial division. The retirement assets of each of the five PERA divisions are invested as separate trust funds.

PERA is governed by a 16-member board of trustees. The board has 15 voting members including:

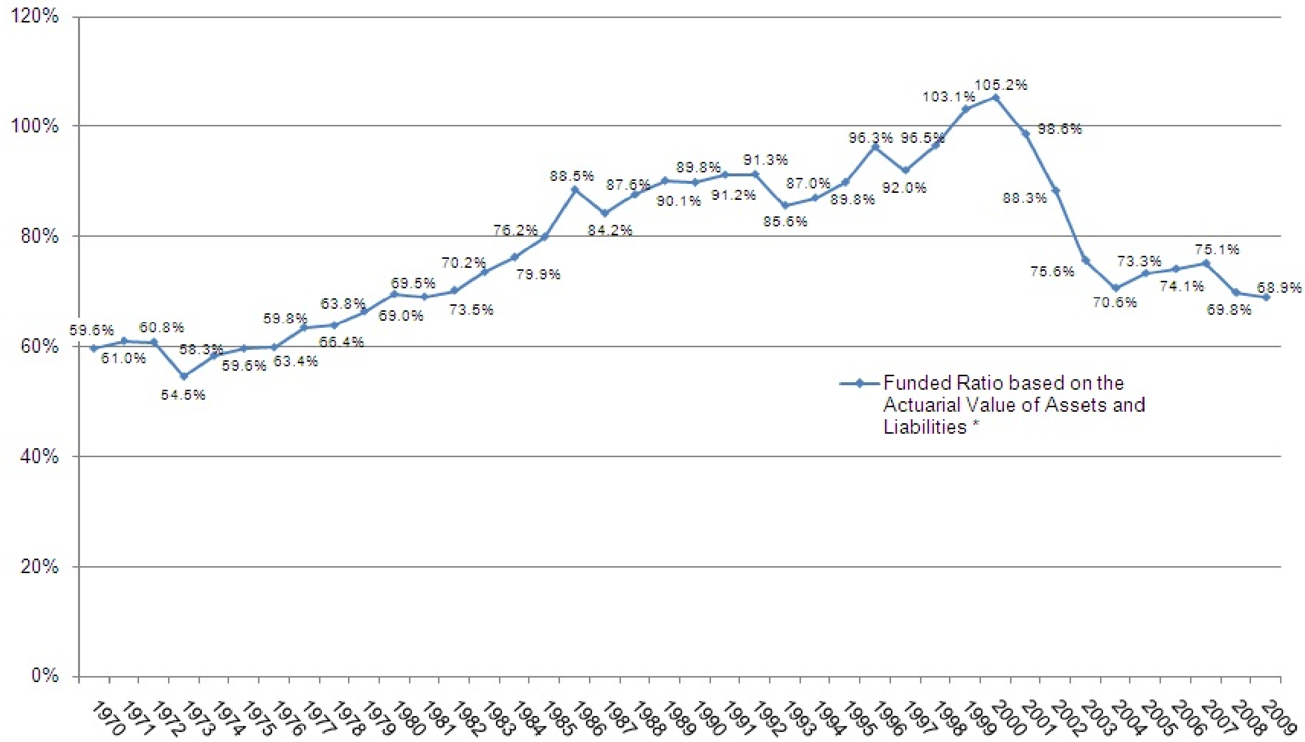
- three members representing the state division;
- four members representing the school division;
- one member representing the local government division;
- one judicial division member;
- two PERA retirees;
- three members appointed by the Governor; and
- the State Treasurer.

The board also has one non-voting member representing the Denver Public Schools Division who serves as an ex-officio member. Members of the PERA board of trustees are fiduciaries, obligated under Colorado law to act solely in the interests of members and benefit recipients to provide pension benefits, and to defray expenses of pension administration.

PERA defined benefit plan funded ratio. Senate Bill 10-001 is intended to increase PERA's actuarial funded ratio to 100 percent within 30 years. The "actuarial funded ratio" is a means of assessing the financial condition of a defined benefit pension plan. The actuarial funded ratio measures the actuarial value of the pension plan's assets relative to its actuarial liabilities. PERA calculates the ratio by "smoothing" the value of its assets over a four-year period. This process diminishes the impact of short-term market volatility on a pension's actuarial funded ratio, and consequently the need to alter contribution levels to a pension plan frequently.

Figure 1 provides PERA's combined actuarial funded ratio (reflects the funded ratio of all PERA division defined benefit trust funds) from 1970 to 2009. During this time period, the actuarial funded ratio ranged from a low of 54.5 percent in 1973 to a high of 105.2 percent in 2000. At the end of 2009, the PERA funded ratio stood at 68.9 percent. The average funded ratio over the 40-year period is 78 percent.

Figure 1
Colorado PERA Funded Ratio History for all Divisions Combined: 1970 - 2009



**Source: Colorado PERA*

2010 Changes to PERA Contribution and Benefit Levels

The General Assembly's 2010 pension reform legislation altered the levels of contributions that are paid by PERA members and PERA employers, and reduced PERA member and retiree benefit levels. Specifically, the legislation:

- places new restrictions on the amount that a PERA member's salary may increase for purposes of calculating retirement benefits (for members not eligible to retire in 2010);
- requires non-vested PERA members to work longer to reach retirement eligibility, and eliminates a 50 percent match for members not eligible to retire in 2010 who withdraw their PERA retirement accounts;
- requires employees hired in the future to work longer to reach retirement eligibility;
- further reduces retirement benefits of members who choose to retire prior to eligibility for full retirement benefits;
- reduces annual benefit increases paid to PERA retirees;
- requires new contributions from "working retirees," and alters the future accrual of benefits by retirees who suspend their benefits;
- permits some working retirees to work longer for a PERA employer without penalty;
- cancels scheduled increases in employer contributions for some PERA divisions, and phases in increases to employer contributions over time in other divisions; and

- temporarily shifts some pension contributions from PERA employers to employees in two of PERA's five divisions.

General Assembly right to alter plan defined benefits. Senate Bill 10-001 includes a provision requiring PERA to provide written notice to its members and inactive members that in the event of an "actuarial necessity," the General Assembly may alter member benefits provided by the defined benefit plan. The bill does not define the term "actuarial necessity."

Changes made to PERA contribution and benefit levels as a result of the 2010 pension reform legislation are described below in greater detail.

Pension Reform — Impacts on PERA Members

- ✓ Non-vested PERA members (as of January 1, 2011) and future hires must work longer to reach retirement eligibility.
- ✓ The 50 percent match is eliminated for non-vested members who withdraw their accounts.
- ✓ New restrictions are placed on calculation of the initial retirement benefit.
- ✓ Retirement benefits are reduced for members choosing early retirement.
- ✓ A portion of employer contributions in the state and judicial divisions are shifted from employers to employees for FY 2010-11.

Employee contribution rate changes. For the current fiscal year (FY 2010-11), the contribution rate for employees in the state and judicial divisions is increased by 2.5 percent, from 8 percent to 10.5 percent of salary. (For this fiscal year, the contribution rate for employers in the state and judicial divisions is decreased by 2.5 percent). The contribution rate for employees in the school, DPS, and local government divisions is unchanged at 8 percent of salary. Under Senate Bill 10-001, the contribution rate increase for state and judicial division employees will return to 8 percent of salary for FY 2011-12.

Calculation of initial retiree benefit. Retirement benefits under PERA's defined benefit plan are based on a PERA member's age, years of service, and "highest average salary" (HAS). A member's HAS is calculated as a monthly amount equal to 1/12th of the average of the member's highest annual salaries that are associated with three 12-month periods. However, four 12-month periods (not necessarily consecutive periods) are considered in determining a retiring PERA member's HAS. Of the four periods, the period during which the lowest salary was earned is used as the base year in the calculation. Since the HAS calculation formula considers salary levels over four 12-month periods, it restricts opportunities for short-term salary "spiking."

"Anti-spiking provisions" have been enacted by the General Assembly to limit extreme increases in a PERA member's salary used for calculation of the HAS, and to limit the financial pressure that such increases place on PERA trust funds. Prior to the enactment of Senate Bill 10-001, for PERA members hired *on or before* December 31, 2006, any salary increase over the prior year could not exceed 15 percent of salary for purposes of calculating the HAS. For PERA members hired *after* December 31, 2006, any salary increase over the prior year may not exceed 8 percent of salary when calculating the HAS. Senate Bill 10-001 put in place a uniform 8 percent anti-spiking provision applicable to all PERA members not eligible to retire as of January 1, 2010 (with the exception of members of the judicial division).

Non-vested PERA members - elimination of match on withdrawn contributions. The benefits of PERA members vest when the member has earned five years of service credit. Under current law, a 100 percent match is available to PERA members who request a refund of their member account at retirement, or receive a refund for a reduced service retirement. Under current law, members who refund their PERA accounts prior to eligibility for full or early reduced retirements receive a 50 percent match on the value of the account (not available in the DPS benefit structure). Beginning January 1, 2011, Senate Bill 10-001 eliminates the 50 percent match for refunds on accounts of non-vested PERA members.

Elimination of indexing of benefits. This provision of Senate Bill 10-001 addresses situations in which a PERA member has at least 25 years of service credit, is not yet eligible to receive a retirement benefit, and becomes an "inactive member," that is, he or she no longer works for a PERA employer, but leaves an account with PERA. Under current law, such members' benefits are "indexed" for the applicable annual COLA increase until they retire. Senate Bill 10-001 eliminates this indexing of benefits for inactive members who are not eligible to retire as of January 1, 2011.

Service retirement eligibility changes for non-vested PERA members and future hires. To become eligible to receive a full service retirement benefit, a PERA member must meet certain requirements for age and years of service credit. Senate Bill 10-001 changes these eligibility requirements for PERA members who are not vested as of January 1, 2011, or who are hired on or after that date.

Senate Bill 10-001 modified age and service requirements for a full-service retirement by non-vested members and future hires. Under the bill, PERA members:

- who do not vest in their retirement benefits before January 1, 2011, will be subject to the "Rule of 85" with a minimum retirement age of 55 (they may retire at the age of 55 with full benefits when their age and years of service total 85); or
- hired between January 1, 2011, and January 1, 2017, are subject to a "Rule of 88." They will be eligible for full retirement benefits after 30 years of service and reaching the age of 58; or
- hired after January 1, 2017, are subject to a "Rule of 90." They will be eligible for full retirement benefits after 30 years of service and reaching the age of 60; or
- hired after January 1, 2017, are subject a "Rule of 88" if their most recent ten years of service credit were earned in either of the school or DPS divisions.

See Table 1 for additional detail. Retirement eligibility was not altered for state troopers and Colorado Bureau of Investigation agents.

Reduction of benefits for early reduced service retirees. As an alternative to full service retirement PERA members may qualify to retire early and receive a *reduced* retirement benefit under a separate formula. Senate Bill 10-001 further reduces the benefits of members choosing this option. For members who have not reached retirement eligibility as of January 1, 2011, and who take an early reduced retirement, the current reduction factor for the early retirement is changed to the actuarial cost of the reduction. This reduction in retirement benefits was designed to ensure that early retirement benefits are not greater than the actuarial equivalent of a full service retirement benefit. This change *does* apply to state troopers and Colorado Bureau of Investigation agents who are not eligible to receive a retirement benefit as of January 1, 2011.

Table 1
SB 10-001 Changes to PERA Full Service Retirement Eligibility
by PERA Division/Hire Date/Vested Status and Pre-2011 Eligibility to Retire

Benefit Structure	Date of Hire	Vested Prior to January 1, 2011?	Eligible to Retire Prior to January 1, 2011?	Retirement Eligibility Altered by SB 10-001?	Full Service Retirement Eligibility Requirements Prior to SB 10-001.	Full Service Retirement Eligibility Requirements Post-SB 10-001.
PERA	On or before 6/30/05	Yes	Yes	No	Age 50 with 30 years of service, Rule of 80 at Age 55	Age 50 with 30 years of service, Rule of 80 at Age 55
PERA	On or before 6/30/05	Yes	No	No	Age 50 with 30 years of service, Rule of 80 at Age 55	Age 50 with 30 years of service, Rule of 80 at Age 55
PERA	On or before 6/30/05	No	No	**Yes**	Age 50 with 30 years of service, Rule of 80 at Age 55	Rule of 85, Minimum Age 55
PERA	Between 7/1/05 and 12/31/06	Yes	Yes	No	Rule of 80, Minimum Age 55	Rule of 80, Minimum Age 55
PERA	Between 7/1/05 and 12/31/06	Yes	No	No	Rule of 80, Minimum Age 55	Rule of 80, Minimum Age 55
PERA	Between 7/1/05 and 12/31/06	No	No	**Yes**	Rule of 80, Minimum Age 55	Rule of 85, Minimum Age 55
PERA	Between 1/1/07 and 12/31/10	NA	NA	No	Rule of 85, Minimum Age 55	Rule of 85, Minimum Age 55
PERA (State Troopers and CBI)	NA	NA	NA	No	Age 50 with 25 years of service or Age 55 with 20 years of service	Age 50 with 25 years of service or Age 55 with 20 years of service
DPS	On or before 6/30/05	Yes	Yes	No	Age 50 with 30 years of service or Age 55 with 25 years of service	Age 50 with 30 years of service or Age 55 with 25 years of service
DPS	On or before 6/30/05	Yes	No	No	Age 50 with 30 years of service or Age 55 with 25 years of service	Age 50 with 30 years of service or Age 55 with 25 years of service
DPS	On or before 6/30/05	No	NA	**Yes**	Age 50 with 30 years of service or Age 55 with 25 years of service	Rule of 85, Minimum Age 55

Table 1
SB 10-001 Changes to PERA Full Service Retirement Eligibility
by PERA Division/Hire Date/Vested Status and Pre-2011 Eligibility to Retire (continued)

Benefit Structure	Date of Hire	Vested Prior to January 1, 2011?	Eligible to Retire Prior to January 1, 2011?	Retirement Eligibility Altered by SB 10-001?	Full Service Retirement Eligibility Requirements Prior to SB 10-001.	Full Service Retirement Eligibility Requirements Post-SB 10-001.
DPS	Between 7/1/05 and 12/31/09	Yes	Yes	No	Age 50 with 30 years of service or Age 55 with 25 years of service	Age 50 with 30 years of service or Age 55 with 25 years of service
DPS	On or before 12/31/09	Yes	No	No	Age 50 with 30 years of service or Age 55 with 25 years of service	Age 50 with 30 years of service or Age 55 with 25 years of service
DPS	On or before 12/31/09	No	NA	**Yes**	Age 50 with 30 years of service or Age 55 with 25 years of service	Rule of 85, Minimum Age 55
Future Hires PERA	Future hires between 1/1/11 and 1/1/17	NA	NA	**Yes**	Rule of 85, Minimum Age 55	**Rule of 88, Minimum Age 58**
Future Hires School and DPS	Future School and DPS Division hires after 1/1/17 (if member has 10 years of credit in one of the divisions)	NA	NA	**Yes**	Rule of 85, Minimum Age 55	**Rule of 88, Minimum Age 58**
Future Hires PERA	Future hires after 1/1/17	NA	NA	**Yes**	Rule of 85, Minimum Age 55	**Rule of 90, Minimum Age 60**

- ✓ Scheduled employer contribution increases for local government and judicial divisions are canceled.
- ✓ Scheduled employer contributions for other divisions are increased.
- ✓ A portion of employer contributions for state and judicial divisions are shifted to employees.

Employer contribution rate changes. In 2004, the General Assembly enacted an additional employer pension contribution called the "Amortization Equalization Disbursement (AED)" to assist in the reduction of the unfunded liability of PERA's trust funds. In 2006, the General Assembly put in place further employer contribution rate increases called the "Supplemental Amortization Equalization Disbursement (SAED)." The SAED is paid from funds that would otherwise be available for PERA member compensation increases. Both the AED and SAED were originally scheduled to gradually increase to 3.0 percent of salary by 2013. Actual employer contribution rates for the DPS Division vary based on DPS debt service.

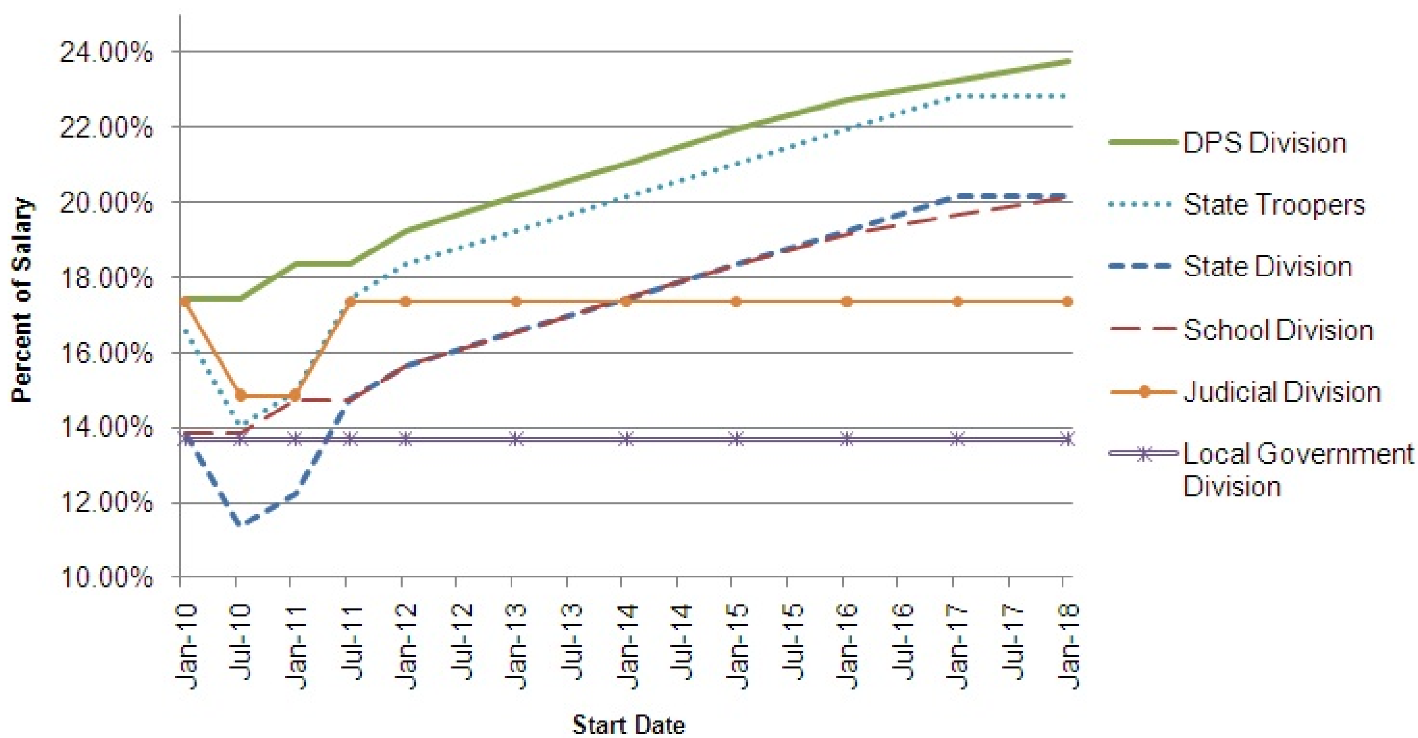
The General Assembly's 2010 pension reform legislation altered these scheduled increases in the AED and the SAED. Under Senate Bill 10-001, the amount of the AED and SAED will vary by PERA division. Scheduled increases in the AED and SAED for the local government and judicial divisions are cancelled. The AED and SAED for the local government and judicial divisions are frozen at their current rates of 2.2 percent (AED) and 1.5 percent (SAED). Scheduled increases in the AED and SAED for the state, school, and DPS divisions are enhanced. For the state division, the AED and SAED will both reach 5.0 percent of salary in 2017. For the DPS division and the school division, the AED and SAED will reach 4.5 percent and 5.5 percent of salary, respectively, in 2018. See Table 2 for additional detail.

Under Senate Bill 10-001, total state and school division employer contributions will grow to 20.15 percent of salary by 2017. (With the exception that, employer contributions for state troopers and Colorado Bureau of Investigation agents in the state division will grow to 22.85 percent in 2017.) Total DPS division contributions are slated to increase to 23.75 percent of salary by 2018 (though actual DPS division contributions will vary based on DPS debt service). Total employer contributions for the local government division and the judicial division will reach 13.7 percent and 17.36 percent of salary by 2017, respectively. See Figure 2 for additional detail.

Table 2
AED/SAED Employer Contribution Schedule by PERA Division

Start Date	State Division		School Division		DPS Division		Local Govt. Division		State Troopers/ CBI Agents		Judicial Division	
	AED	SAED	AED	SAED	AED	SAED	AED	SAED	AED	SAED	AED	SAED
Jan. 2010	2.2%	1.5%	2.2%	1.5%	2.2%	1.5%	2.2%	1.5%	2.2%	1.5%	2.2%	1.5%
July 2010	2.2%	1.5%	2.2%	1.5%	2.2%	1.5%	2.2%	1.5%	2.2%	1.5%	2.2%	1.5%
Jan. 2011	2.6%	2.0%	2.6%	2.0%	2.6%	2.0%	2.2%	1.5%	2.6%	2.0%	2.2%	1.5%
July 2011	2.6%	2.0%	2.6%	2.0%	2.6%	2.0%	2.2%	1.5%	2.6%	2.0%	2.2%	1.5%
Jan. 2012	3.0%	2.5%	3.0%	2.5%	3.0%	2.5%	2.2%	1.5%	3.0%	2.5%	2.2%	1.5%
Jan. 2013	3.4%	3.0%	3.4%	3.0%	3.4%	3.0%	2.2%	1.5%	3.4%	3.0%	2.2%	1.5%
Jan. 2014	3.8%	3.5%	3.8%	3.5%	3.8%	3.5%	2.2%	1.5%	3.8%	3.5%	2.2%	1.5%
Jan. 2015	4.2%	4.0%	4.2%	4.0%	4.2%	4.0%	2.2%	1.5%	4.2%	4.0%	2.2%	1.5%
Jan. 2016	4.6%	4.5%	4.5%	4.5%	4.5%	4.5%	2.2%	1.5%	4.6%	4.5%	2.2%	1.5%
Jan. 2017	5.0%	5.0%	4.5%	5.0%	4.5%	5.0%	2.2%	1.5%	5.0%	5.0%	2.2%	1.5%
Jan. 2018	5.0%	5.0%	4.5%	5.5%	4.5%	5.5%	2.2%	1.5%	5.0%	5.0%	2.2%	1.5%

Figure 2
PERA Employer Total Contribution Rates



Automatic adjustments of the AED and SAED in the future. Prior to the enactment of Senate Bill 10-001, Colorado law permitted future reductions in the AED and SAED when a PERA division's actuarial funded ratio reached 100 percent. Senate Bill 10-001 increased this threshold for potential future *reduction*s in the AED and SAED to 103 percent.

For the school, DPS and state divisions, Senate Bill 10-001 specifies that both the AED and SAED will be reduced by 0.5 percent in each year that a particular division's actuarial funded ratio exceeds 103 percent. If the actuarial funded ratio for these divisions reaches 103 percent and subsequently drops below 90 percent, then both the AED and SAED will increase by 0.5 percent for each year that the funded ratio is below 90 percent (although the AED is capped at 4.5 percent for the school and DPS divisions, and at 5.0 percent for the state division, and the SAED is capped at 5.5 percent for the school and DPS divisions and at 5.0 percent for the state division).

For the local government and judicial divisions, if the actuarial funded ratio for a division reaches 103 percent both the AED and the SAED are reduced by 0.5 percent for that division per year. If the actuarial funded ratio of the local government or judicial divisions reaches 90 percent, and later falls below 90 percent, both the AED and SAED will increase by 0.5 percent per year for that division (however; both the AED and SAED are capped at 5.0 percent).

2010 Pension Reform — Impacts on PERA Retirees

- ✓ PERA retiree annual benefit increases are reduced.
- ✓ New contributions are required from "working retirees."
- ✓ Some working retirees may work longer for a PERA employer without penalty.
- ✓ The future accrual of benefits by retirees who suspend their benefits is altered.

Changes to the retiree annual benefit increase. Senate Bill 10-001 altered benefits received by current PERA retirees. The bill moved the month in which retirees receive their statutory annual benefit increase from March to July of each year. The bill also put in place a 12-month delay on the payment of a first annual benefit increase for new retirees as of January 1, 2011. Members retiring before this date receive a prorated annual benefit increase reflecting the number of months the member had been retired prior to the first July after the member retires. (Members hired on or after January 1, 2007, were already subject to a delay of a calendar year).

Prior to the enactment of Senate Bill 10-001, Colorado law provided an automatic increase of 3.5 percent compounded annually each March (3.25 percent for DPS) in retiree pension benefits. As explained below, provisions of Senate Bill10-001 eliminated the retiree benefit increase for 2010, and cut the rate at which retiree benefits increase in the future. Senate Bill 10-001 changed the formula used to determine the annual increase in 2010 to the lesser of 2 percent or inflation from the prior year, resulting in a 0 percent annual benefit increase for March 2010. The bill also cut future annual benefit increases for current retirees to 2 percent, unless PERA experiences a negative investment year, at which point the COLA for the next three years will be the lesser of the average of monthly annual inflation rates from the prior calendar year or 2 percent. In addition, if PERA's actuarial funded ratio exceeds 103 percent in the future, then the annual benefit increase will increase by 0.25 percent in each year that the funded ratio is above 103 percent. If the funded ratio subsequently drops below 90 percent, the annual benefit increase will be reduced by 0.25 percent in each year that the funded ratio is below 90 percent.

Finally, Senate Bill 10-001 delays annual benefit increases for members (not eligible to retire as of January 1, 2011) who choose an early reduced service retirement benefit. Such increases are delayed until the member reaches age 60 or reaches a combination of age and service credit that would have otherwise qualified the member for a full retirement benefit. Changes to PERA retiree statutory annual benefit increases are described in greater detail in Table 3.

Table 3. PERA Statutory Annual Retirement Benefit Increase (COLA) — Before and After Senate Bill 10-001*

Pre-Senate Bill 10-001 COLA - for retirement benefits based on an account of an employee hired on or before June 30, 2005.	Automatic 3.5 percent annual benefit increase payable each March. (3.25 percent for DPS payable in January).
Pre-Senate Bill 10-001 COLA - for retirement benefits based on an account of an employee hired on or after July 1, 2005, and before January 1, 2007.	Automatic increase equal to the rate of inflation in the prior year up to a maximum of 3 percent, payable each March. (Lesser of 3.0 percent, or CPI-W for DPS payable in January).
Pre-Senate Bill 10-001 COLA - for retirement benefits based on an account of an employee hired on or after January 1, 2007.	Employees hired after January 1, 2007, do not receive guaranteed annual COLAs in retirement. COLAs for this group will be paid out of an annual increase reserve funded exclusively by 1 percent of the group's employer contributions, limited to funds available for the purpose, and payable in July. Such retirees will be eligible to receive a COLA of the lesser of *3.0 percent* or inflation, or a percentage when paid to benefit recipients that will exhaust 10 percent of the year-end balance of the market value of the annual increase reserve. Retirees must receive retirement benefits for the full preceding calendar year, and for retirees whose benefits are based on a reduced early retirement the retiree must be at least 60 years old, or reach service and age requirements for a full service retirement benefit. (COLA of lesser of 3.0 percent or CPI-W for DPS).
Senate Bill 10-001 COLA - applicable to benefits of all current retirees and future retirement benefits based on accounts of employees hired on or before December 31, 2006, including the DPS Division (effective February 23, 2010).	Provisions of SB 10-001 set the COLA rate at the lesser of 2 percent or CPI-W for the prior year resulting in elimination of the COLA for 2010. Beginning in 2011, the COLA is reduced to 2 percent per year, unless PERA has a negative investment year, at which point the COLA for the next three years will be the lesser of the average of the monthly inflation rate for the preceding calendar year or 2 percent. The COLA will be paid in July. Members retiring after January 1, 2011, must receive benefits for at least 12 months before receiving a COLA. Members not eligible to retire before January 1, 2011, and who take a reduced service retirement have an additional requirement to reach 60 years of age or qualify for a full service retirement before receiving a COLA. The upper limit of the COLA is increased by 0.25 percent in the future for each year that PERA's actuarial funded ratio exceeds 103 percent, and decreased by 0.25 percent for each year that the funded ratio is below 90 percent. However, the upper limit of the COLA may not fall below 2.0 percent. The PERA Board is required to report to the General Assembly every five years regarding the economic impact of SB 10-001 COLA reductions on retirees relative to inflation, and on progress that is being made to reduce PERA's unfunded liability.
Senate Bill 10-001 COLA - applicable to future retirement benefits of employees hired on or after January 1, 2007, (effective February 23, 2010).	SB 10-001 reduces the maximum COLA for which employees hired after January 1, 2007, will be eligible in retirement from 3 percent to 2 percent. Other provisions relating to COLAs for this benefit tier were unaffected. COLAs for this group will be paid out of an annual increase reserve funded exclusively by 1 percent of the group's employer contributions, limited to funds available for the purpose, and payable in July. Such retirees will be eligible to receive a COLA of the lesser of *2 percent* or inflation, or a percentage when paid to benefit recipients that will exhaust 10 percent of the year-end balance of the market value of the annual increase reserve. Retirees must receive retirement benefits for the full preceding calendar year, and for retirees whose benefits are based on a reduced early retirement the retiree must be at least 60 years old, or reach service and age requirements for a full service retirement benefit.

** Changes to the statutory COLA are currently being litigated.*

Changes for working retirees and retirees who suspend their benefits. Senate Bill 10-001 made several changes that affect PERA members who retire and then later return to work for a PERA employer without suspending his or her retirement benefit (working retirees).

Current law limits working retirees to 110 days (or 916 hours) of work in a calendar year for a PERA employer without penalty. Under Senate Bill 10-001, up to ten working PERA retirees per employer (who are working for schools, including DPS, or higher education institutions) may work for up to 140 days for that employer without penalty. Senate Bill 10-001 also requires that working retirees make a contribution equal to the normal employee contribution in the division for which they work. Working retiree contributions will not accrue to the retiree's PERA account, and no service credit will be earned by working retirees in connection with their contributions unless they suspend their pension benefits.

DPS retirees who were working as hourly employees for an employer in the DPS division before January 1, 2010, are exempted from the limits on working after retirement if they remain employed with the same employer.[1]

Senate Bill 10-001 alters the future accrual of benefits by retirees who suspend their retirement benefits and return to work for a PERA employer. Benefits accrued by such workers will be calculated as a separate benefit segment under the benefit structure that was in place when the retiree originally retired. If the retiree works for less than one year, the retiree will receive a refund at the end of the period. If the retiree works for more than one year, the retiree has the option of a refund or an additional separate benefit earned during the period.

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[1] Pursuant to House Bill 10-1425.