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Report to the Colorado General Assembly:

EMERITUS RETIREMENT PROGRAMS IN COLORADO



COLORADO LEGISLATIVE COUNCIL

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IN COLORADO

Legislative Council
Report To The
Colorado General Assembly

Research Publication No. 64
December, 1962

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To Members of the Forty-fourth Colorado General Assembly:

As directed by the provisions of Senate Joint Resolution No. 9, 1962 session, the Legislative Council submits herewith its report relating to the State Teachers' Emeritus Retirement Fund and the State Institutions of Higher Learning Emeritus Retirement Pension.

The Committee assigned by the Legislative Council to carry out this study submitted its report for consideration at the Council's meeting November 29. At that time the report was accepted for transmission to the Forty-fourth General Assembly.

Respectfully submitted,

James E. Donnelly
Chairman

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Senator James E. Donnelly, Chairman
Colorado Legislative Council
Room 341, State Capitol
Denver 2, Colorado

Dear Mr. Chairman:

Your Committee on School Aid which was directed to carry out the study proposed in Senate Joint Resolution No. 9, 1962 session, relating to teacher emeritus retirement programs in Colorado, has completed its study and submits the accompanying report thereon.

The Committee makes no recommendations on any changes in the present emeritus retirement programs. However, the report contains estimates on the dollar effect of various changes in the level of benefits for legislative consideration.

Respectfully submitted,

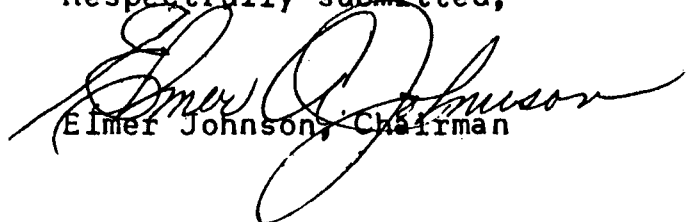

Elmer Johnson, Chairman

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EMERITUS RETIREMENT PROGRAMS IN COLORADO

In 1951 the General Assembly established the State Teachers' Emeritus Retirement Fund and, in 1954, added the State Institutions of Higher Learning Emeritus Retirement Pension. Both of these programs were designed to provide retirement benefits to certain persons (Teachers) who had rendered valuable services to this state but who would receive little, if any, benefits from state or local government supported retirement programs.

However, as pointed out in Senate Joint Resolution No. 9 in the 1962 session, "amendments to the laws under which these funds are distributed are constantly being presented to the General Assembly, and a comprehensive study of the two programs should be made to determine the sufficiency of benefits paid under the programs, the number of persons benefited, and the extension of the programs to persons not now eligible." The Legislative Council was consequently directed "to make a thorough and comprehensive study of the programs under the State Teachers' Emeritus Retirement Fund and the State Institutions of Higher Learning Emeritus Retirement Fund, in their entirety, and any of the phases of said programs, with a view toward future amendments to be made thereto by the General Assembly."

The Committee on School Aid, to which the Council assigned this study, reviewed this subject at various meetings held during 1962, including one meeting with representatives of the two teacher emeritus groups. In addition, the committee reviewed estimates on the costs of increasing monthly retirement benefits in various amounts, extending coverage to retired teachers who are otherwise eligible except that they no longer reside in Colorado, and adding a medical insurance program for the teacher emeritus group.

TEACHER EMERITUS RETIREMENT

The 1951 session of the General Assembly enacted a law making it mandatory that all school districts within the state not having a local retirement system come under the provisions of the Public Employees' Retirement Association as of January 1, 1952. (Previously, in 1943, the General Assembly had extended PERA coverage to school districts on an optional basis as to employing units, and from 1944 to 1952 most of the first-class school districts and many of the second- and third-class school districts in the state affiliated, with approximately one-half of the ten or twelve thousand school employees outside of Denver coming into the fund.) The General Assembly also passed a companion bill in 1951 which established the Teachers' Emeritus Retirement Fund (Secs. 123-19-15 through 123-19-19, 1953 Colorado Revised Statutes, as amended).

This latter bill recognized that there would be a number of teachers in the state who would receive few if any benefits from membership in the Public Employees' Retirement Association, and the purpose of the law was to establish a non-contributory retirement plan for such teachers. That is, inasmuch as a minimum of five years

of coverage after January 1, 1952 was required in order to obtain any annuity under PERA, and because a teacher with a monthly salary of \$300 having less than ten years of coverage after January 1, 1952 would receive less than \$75.00 per month upon retirement, the sponsors of the bill providing for mandatory coverage under PERA for public school teachers conceived the idea of the "Teachers' Emeritus Retirement Act" in order to guarantee these older teachers who would have less than ten years of PERA coverage before retirement at age 65, a minimum of \$75 per month on a state-wide basis.

The provisions of the 1951 teachers' emeritus bill included these requirements for teachers to be eligible: (1) must be at least 65 years of age; (2) must have spent at least 20 years as a teacher in the public schools in Colorado; (3) must have retired from teaching in the public schools prior to July 1, 1962; and (4) must be a resident of Colorado while receiving the benefits. The law further provided that any teacher applying for benefits who retired after January 1, 1952 must have become a member of PERA or a local school district retirement plan in order to be eligible for TER benefits. A monthly TER benefit of \$75 was to be paid each beneficiary less any pension or retirement benefit supported in whole or in part by the state or one of its political subdivisions.

Consequently, the result of this bill was a plan which, in combination with any PERA benefits, would provide a minimum benefit for teachers who had 20 years or more of service in Colorado, who had attained age 65 before January 1, 1962, and who had never had the opportunity to be covered in any retirement plan prior to January 1, 1952, to be assured of at least \$75 per month retirement income, which was the equivalent of ten years of covered service under PERA for a teacher with a final average salary of \$300 per month. In other words, the original plan was created as a "stop-gap" measure to provide a minimal retirement benefit until teachers at that time could come under PERA coverage and gradually acquire retirement benefits in excess of \$75 per month through the PERA contributory system.

1953 Amendment

Since 1951 a number of amendments have been made to the Teachers' Emeritus Retirement Act. Shortly after the law became operative, it was apparent the requirement that an applicant must have become a member of PERA on or before January 1, 1952 was an insurmountable barrier for some teachers who were otherwise eligible because there were many teachers who were not engaged in service on January 1, 1952 but who returned to teaching at a later date. This situation was pointed out to the General Assembly and in 1953 this requirement was changed to provide that if a teacher returned to active teaching service after January 1, 1952, the person must then become a member of PERA.

1957 Amendments

In 1957, the final date for receiving applications was extended from July 1, 1962 to July 1, 1967 in order to include teachers who had found they would not attain age 65 prior to the original 1962 cut-off date. In addition, a provision was included to allow not to exceed ten years of employment in the office of county superintendent of schools to apply toward the total requirement of 20 years of service. The residence requirement was changed to provide that the teacher must be a resident of Colorado at the time application was made, but after eligibility was established, no restrictions on residence were included.

A regulation established by the State Commissioner of Education allowing ten days of substitute teaching per month without loss of TER benefits was written into the law. Also, there were a number of teachers who apparently had not been given proper information in the Fall of 1951 regarding the relationship between membership in PERA and eligibility for benefits under the Teachers' Emeritus Retirement Fund, and had chosen not to join PERA. For this reason they were not eligible for TER benefits. The General Assembly therefore added a provision to the law allowing such teachers to submit an affidavit to the Commissioner of Education on or before July 1, 1957 stating the facts and permitting the commissioner to allow them to receive TER benefits.

Reportedly, however, this latter provision is still an obstacle in several instances since the affidavit had to be filed before July 1, 1957 and it appears that a few persons to whom this provision applied did not have the opportunity to submit the affidavit. In this connection, the education department has reported it has seven or eight applications in its files from persons who have taught since January 1, 1952, but who have never been members of PERA and are therefore not eligible for benefits from the Teachers' Emeritus Retirement Fund, with a possibility of there being a very few more such persons still teaching actively.

The 1957 General Assembly also amended the law by raising the monthly benefit from \$75 to \$100. This action made it possible for a large number of new retired teachers to become beneficiaries because they were receiving a benefit of more than \$75 but less than \$100 a month and they then became eligible to receive the difference between these benefits and the \$100 maximum from TER, if they met other requirements of the law. The largest group of these newly-covered retired teachers came from the Denver Public Schools.

1961 Amendments

The 1961 session of the General Assembly amended the Teachers' Emeritus Retirement Act by changing two provisions. Another \$25 increase in the monthly benefit was authorized, bringing the total to \$125 a month. As with the 1957 increase, this change not only raised the benefit for the TER participants but also added a number of retired teachers whose monthly retirement income was more than \$100 but less than \$125. In addition, the 1961 General Assembly also amended the law to provide that any teacher who had served at least 40 years in the employ of Colorado school districts would be eligible for TER Benefits regardless of age.

