

Second Regular Session
Sixty-fifth General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 06-1119.01 Nicole Hoffman

SENATE BILL 06-235

SENATE SPONSORSHIP

Sandoval,

HOUSE SPONSORSHIP

Marshall,

Senate Committees
State, Veterans & Military Affairs

House Committees

A BILL FOR AN ACT

101 CONCERNING PUBLIC EMPLOYEES' RETIREMENT BENEFIT PLANS.

Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments that may be subsequently adopted.)

Limits the permissible 15% increase in the calculation for highest average salary for current members of the public employees' retirement association (PERA) who retire after January 1, 2009.

For members hired on or after January 1, 2007, provides a limit of 8% for salary increases that may be included in the calculation of highest average salary.

Beginning January 1, 2007, adds to the PERA board (board) 5 trustees who are not members of PERA who are appointed by the governor with the consent of the senate and who have experience and

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

expertise in investment management, finance, banking, economics, accounting, pension administration, or actuarial analysis and removes the state auditor as an ex officio trustee of the board.

Within each of the state, school, local government, and judicial divisions of PERA, creates an annual increase reserve.

Reduces the maximum amortization period that is considered actuarially sound for each of the PERA trust funds from 40 to 30 years.

Requires that employers who fail to provide membership in PERA pay the amortization equalization disbursement that was in effect at the time membership should have been provided.

Provides a supplemental amortization equalization disbursement of .5% beginning July 1, 2007, and increasing each year at .5% until 2012 for a total of 3% to be funded, to the extent permitted by law, by an allocation of funds otherwise available for use as employee compensation increases prior to award as salary or other compensation to employees.

Specifies that a member who refunds a PERA member account and later recommences membership shall be subject to the provisions regarding benefits, contribution rates, and related provisions that are in effect when the member recommences membership.

Specifies that a member who purchases service credit shall be subject to the provisions regarding benefits, contribution rates, and related provisions in PERA that are in effect at the time the member initiates payment of the purchase.

Specifies that the cost to purchase forfeited service credit for members hired on or after January 1, 2007, shall be the refunded amount plus interest plus one percent of the member's highest average salary for each month or partial month of service credit. The one percent shall be allocated to the annual increase reserve.

Codifies the board's determination that the cost to purchase noncovered service shall be sufficient to pay the actuarial liability associated with the purchase.

For members hired on or after January 1, 2007, who have less than 35 years of service credit, specifies that a member may retire when the member's age and total years of service equal 85, so long as the member is at least 55 years of age.

Of the amount paid by a member to purchase service credit for noncovered employment, decreases the amount that is transferred to the health care trust fund on the effective date of the member's retirement to 1.02% of the member's highest average salary at the time of the purchase of service credit.

Specifies that members hired on or after January 1, 2007, who are inactive members may receive a retirement benefit effective upon written application and approval by the board and upon reaching the requisite age and service credit.

Incorporates federal requirements on minimum required

distributions pursuant to the federal internal revenue code.

Specifies that if an annual increase in retirement benefits occurs for members hired on or after January 1, 2007, it shall occur on July 31 and shall be paid from the division trust fund so long as the benefits have been paid to the benefit recipient for the full preceding calendar year and the retiree is older than 60 years of age as of December 31 of the preceding calendar year.

States that a portion of the employer contribution for members hired on or after January 1, 2007, shall be allocated to the annual increase reserve to be used only to fund annual increases in benefits for those members. Allows an annual increase in benefits only if 10% of the amount in the annual increase reserve is sufficient to fund the net present value of the actuarial liability associated with the lower of a 3% increase or an increase equal to the change in the CPI.

Defines the nature of the employment relationship between a retiree of PERA and an employer for purposes of determining the employer contributions and amortization equalization disbursement paid by an employer for employing retirees.

Defines the nature of the employment relationship between a retiree of PERA and an employer for purposes of determining any reduction in service retirement benefits for employment after service retirement pursuant to IRS guidelines regarding independent contractors.

States that an eligible employee who commences employment on or after January 1, 2007, who has an existing member account with PERA, and who initially elects to participate in the defined benefit plan or transfers into the defined benefit plan from the defined contribution plan shall continue membership in the defined benefit plan at the benefit level in which such membership account exists.

States that an eligible employee who commences employment on or after January 1, 2006, who does not have an existing member account, and who elects to transfer into the defined benefit plan from the defined contribution plan, shall participate in the defined benefit plan at the benefit level existing when the employee begins participation in the defined benefit plan.

Provides a time limitation for employees to bring actions based on their election or failure to elect between the defined contribution plans and the defined benefit plan.

Defines terms. Makes conforming amendments.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** 24-51-101 (25) (b), Colorado Revised Statutes, is
3 amended to read:

1 **24-51-101. Definitions.** As used in this article, unless the context
2 otherwise requires:

3 (25) (b) (I) In calculating highest average salary pursuant to
4 subparagraph (I) of paragraph (a) of this subsection (25), FOR A MEMBER
5 WHO WAS A MEMBER, INACTIVE MEMBER, OR RETIREE ON DECEMBER 31,
6 2006, AND WHO HAS AN EFFECTIVE DATE OF RETIREMENT BEFORE
7 JANUARY 1, 2009, if any annual salary used in said calculation was
8 associated with service credit earned during the last three years of
9 membership, each annual salary increase shall be limited to fifteen
10 percent. This limitation shall not apply to salary decreases.

11 (II) In calculating highest average salary pursuant to subparagraph
12 (I) of paragraph (a) of this subsection (25), FOR A MEMBER WHO WAS A
13 MEMBER, INACTIVE MEMBER, OR RETIREE ON DECEMBER 31, 2006, AND
14 WHO HAS AN EFFECTIVE DATE OF RETIREMENT BEFORE JANUARY 1, 2009,
15 if all annual salaries used in said calculation were associated with service
16 credit earned prior to the last three years of membership, no fifteen
17 percent limit shall be applied to the salary differences.

18 (III) IN CALCULATING HIGHEST AVERAGE SALARY FOR A MEMBER
19 WHO WAS A MEMBER, INACTIVE MEMBER, OR RETIREE ON DECEMBER 31,
20 2006, AND WHO HAS AN EFFECTIVE DATE OF RETIREMENT ON OR AFTER
21 JANUARY 1, 2009, THE ASSOCIATION SHALL DETERMINE THE HIGHEST
22 ANNUAL SALARIES ASSOCIATED WITH FOUR PERIODS OF TWELVE
23 CONSECUTIVE MONTHS OF SERVICE CREDIT. THE LOWEST OF SUCH
24 ANNUAL SALARIES SHALL BE THE BASE SALARY. THE FIRST ANNUAL
25 SALARY TO BE USED IN THE HIGHEST AVERAGE SALARY CALCULATION
26 SHALL BE THE ACTUAL SALARY REPORTED UP TO ONE HUNDRED FIFTEEN
27 PERCENT OF THE BASE SALARY. THE SECOND ANNUAL SALARY TO BE USED

1 IN THE HIGHEST AVERAGE SALARY CALCULATION SHALL BE THE ACTUAL
2 SALARY REPORTED UP TO ONE HUNDRED FIFTEEN PERCENT OF THE FIRST
3 ANNUAL SALARY USED IN THE HIGHEST AVERAGE SALARY CALCULATION.
4 THE THIRD ANNUAL SALARY TO BE USED IN THE HIGHEST AVERAGE
5 SALARY CALCULATION SHALL BE THE ACTUAL SALARY REPORTED UP TO
6 ONE HUNDRED FIFTEEN PERCENT OF THE SECOND ANNUAL SALARY USED
7 IN THE HIGHEST AVERAGE SALARY CALCULATION.

8 (IV) IN CALCULATING HIGHEST AVERAGE SALARY FOR A MEMBER
9 WHO WAS NOT A MEMBER, INACTIVE MEMBER OR RETIREE ON DECEMBER
10 31, 2006, THE ASSOCIATION SHALL DETERMINE THE HIGHEST ANNUAL
11 SALARIES ASSOCIATED WITH FOUR PERIODS OF TWELVE CONSECUTIVE
12 MONTHS OF SERVICE CREDIT. THE LOWEST OF SUCH ANNUAL SALARIES
13 SHALL BE THE BASE SALARY. THE FIRST ANNUAL SALARY TO BE USED IN
14 THE HIGHEST AVERAGE SALARY CALCULATION SHALL BE THE ACTUAL
15 SALARY REPORTED UP TO ONE HUNDRED EIGHT PERCENT OF THE BASE
16 SALARY. THE SECOND ANNUAL SALARY TO BE USED IN THE HIGHEST
17 AVERAGE SALARY CALCULATION SHALL BE THE ACTUAL SALARY
18 REPORTED UP TO ONE HUNDRED EIGHT PERCENT OF THE FIRST ANNUAL
19 SALARY USED IN THE HIGHEST AVERAGE SALARY CALCULATION. THE
20 THIRD ANNUAL SALARY TO BE USED IN THE HIGHEST AVERAGE SALARY
21 CALCULATION SHALL BE THE ACTUAL SALARY REPORTED UP TO ONE
22 HUNDRED EIGHT PERCENT OF THE SECOND ANNUAL SALARY USED IN THE
23 HIGHEST AVERAGE SALARY CALCULATION.

24 **SECTION 2.** 24-51-203, Colorado Revised Statutes, is
25 REPEALED AND REENACTED, WITH AMENDMENTS, to read:

26 **24-51-203. Board - composition and election.** (1) THE BOARD
27 SHALL CONSIST OF THE FOLLOWING TWENTY TRUSTEES:

1 (a) THE STATE TREASURER;

2 (b) FOUR MEMBERS OF THE STATE DIVISION ELECTED BY THE
3 MEMBERS OF THAT DIVISION, AT LEAST ONE OF WHOM SHALL BE AN
4 EMPLOYEE OF A STATE INSTITUTION OF HIGHER EDUCATION AND AT LEAST
5 ONE OF WHOM SHALL NOT BE AN EMPLOYEE OF A STATE INSTITUTION OF
6 HIGHER EDUCATION;

7 (c) FIVE MEMBERS OF THE SCHOOL DIVISION ELECTED BY THE
8 MEMBERS OF THAT DIVISION;

9 (d) TWO MEMBERS OF THE LOCAL GOVERNMENT DIVISION ELECTED
10 BY THE MEMBERS OF THAT DIVISION;

11 (e) ONE MEMBER OF THE JUDICIAL DIVISION ELECTED BY THE
12 MEMBERS OF THAT DIVISION;

13 (f) TWO RETIREES, ONE OF WHOM SHALL BE ELECTED BY THOSE
14 MEMBERS WHO HAVE RETIRED FROM THE LOCAL GOVERNMENT DIVISION,
15 THE JUDICIAL DIVISION, OR FROM THE STATE DIVISION AND ONE OF WHOM
16 SHALL BE ELECTED BY THOSE MEMBERS WHO HAVE RETIRED FROM THE
17 LOCAL GOVERNMENT DIVISION, THE JUDICIAL DIVISION, OR THE SCHOOL
18 DIVISION; EXCEPT THAT BOTH RETIREE TRUSTEES CANNOT HAVE RETIRED
19 FROM THE SAME DIVISION; AND

20 (g) FIVE TRUSTEES APPOINTED BY THE GOVERNOR AND CONFIRMED
21 BY THE SENATE WHO SHALL NOT BE MEMBERS, INACTIVE MEMBERS, OR
22 RETIREES OF THE ASSOCIATION AND WHO SHALL HAVE SIGNIFICANT
23 EXPERIENCE AND COMPETENCE IN INVESTMENT MANAGEMENT, FINANCE,
24 BANKING, ECONOMICS, ACCOUNTING, PENSION ADMINISTRATION, OR
25 ACTUARIAL ANALYSIS.

26 (2) THE BOARD SHALL SET THE TIME AND MANNER FOR THE
27 ELECTIONS OF TRUSTEES REPRESENTING MEMBERS AND RETIREES.

1 ELECTED TRUSTEES MAY BE REELECTED TO THE BOARD FOR AN UNLIMITED
2 NUMBER OF TERMS BUT, EXCEPT FOR THE STATE TREASURER, NO TERM FOR
3 ANY TRUSTEE SHALL EXCEED FOUR YEARS.

4 (3) THE TERM FOR EACH OF THE INITIAL FIVE APPOINTED TRUSTEES
5 SHALL BE DETERMINED BY THE GOVERNOR AND SHALL BE STAGGERED
6 WITH A ONE-YEAR TERM, A TWO-YEAR TERM, A THREE-YEAR TERM, AND
7 TWO FOUR-YEAR TERMS WITH NO TRUSTEES ASSIGNED THE SAME TERM
8 LENGTH EXCEPT FOR THOSE TRUSTEES ASSIGNED TO THE TWO FOUR-YEAR
9 TERMS. AFTER EACH OF THE INITIAL TERMS CONCLUDE, THE TERM FOR
10 APPOINTED TRUSTEES SHALL BE FOUR YEARS. APPOINTED TRUSTEES MAY
11 BE REAPPOINTED TO THE BOARD FOR AN UNLIMITED NUMBER OF TERMS.

12 (4) WHEN A VACANCY OCCURS ON THE BOARD AMONG THE
13 ELECTED TRUSTEES, THE PERSON WHO RECEIVED THE NEXT HIGHEST
14 NUMBER OF VOTES IN THE MOST RECENT ELECTION OF TRUSTEES SHALL BE
15 APPOINTED TO SERVE AS TRUSTEE UNTIL THE NEXT ELECTION OF
16 TRUSTEES. IF THE PERSON WHO RECEIVED THE NEXT HIGHEST NUMBER OF
17 VOTES IS UNWILLING TO SERVE AS A TRUSTEE OR IF THE TRUSTEE WHO
18 CREATED THE ABSENCE RAN UNOPPOSED, THE BOARD SHALL APPOINT A
19 TRUSTEE. IN EITHER CASE, THE APPOINTED TRUSTEE SHALL BE FROM THE
20 SAME DIVISION AS THE TRUSTEE WHOSE ABSENCE CREATED THE VACANCY.

21 (5) WHEN A VACANCY OCCURS AMONG THE FIVE APPOINTED
22 TRUSTEES, THE GOVERNOR SHALL APPOINT, WITH CONSENT OF THE
23 SENATE, A NEW TRUSTEE WITH THE EXPERIENCE AND COMPETENCE
24 SPECIFIED IN PARAGRAPH (g) OF SUBSECTION (1) OF THIS SECTION TO
25 SERVE THE REMAINDER OF ANY UNEXPIRED TERM. SUCH APPOINTEE MAY
26 SERVE ON A TEMPORARY BASIS IF THE GENERAL ASSEMBLY IS NOT IN
27 SESSION WHEN HE OR SHE IS APPOINTED UNTIL THE GENERAL ASSEMBLY IS

1 IN SESSION AND THE SENATE IS ABLE TO CONSENT TO SUCH APPOINTMENT.

2 (6) THE ELECTED TRUSTEES SHALL SERVE WITHOUT
3 COMPENSATION BUT SHALL BE REIMBURSED BY THE ASSOCIATION FOR ANY
4 NECESSARY EXPENSES INCURRED IN THE CONDUCT OF THEIR OFFICIAL
5 DUTIES AND SHALL SUFFER NO LOSS OF SALARY FROM AN EMPLOYER FOR
6 SERVICE ON THE BOARD.

7 (7) THE APPOINTED TRUSTEES SHALL BE COMPENSATED BY THE
8 ASSOCIATION FOR THEIR SERVICE ON THE BOARD.

9 (8) NO PERSON CAN BE OR CAN CONTINUE TO BE A TRUSTEE OF THE
10 BOARD WHO HAS BEEN ADJUDICATED OF HAVING VIOLATED ANY
11 PROVISIONS OF THIS ARTICLE OR WHO HAS BEEN CONVICTED OF A FELONY
12 OR ANY CRIME INVOLVING THE MISAPPROPRIATION OF FUNDS.

13 (9) ANY COMMITTEES CREATED BY THE BOARD REGARDING
14 BENEFITS, COMPENSATION, BUDGET, AUDITS, AND INVESTMENTS SHALL
15 EACH INCLUDE TWO INDEPENDENT MEMBERS APPOINTED BY THE BOARD
16 WHO SHALL HAVE QUALIFICATIONS RELEVANT TO THE COMMITTEE'S
17 CHARTER. FOR EACH COMMITTEE THE EXPERTS APPOINTED SHALL SERVE
18 STAGGERED TWO-YEAR TERMS AND SHALL BE COMPENSATED FOR THEIR
19 SERVICES.

20 **SECTION 3.** 24-51-208 (2) (d) and (2) (f), Colorado Revised
21 Statutes, are amended, and the said 24-51-208 is further amended BY
22 THE ADDITION OF A NEW SUBSECTION, to read:

23 **24-51-208. Allocation of moneys.** (2) Within each of the state
24 division, school division, local government division, and judicial division
25 trust funds, the following reserves shall exist:

26 (d) ~~Deferred retirement benefits reserve;~~

27 (f) ~~Deferred survivor benefits reserve.~~

1 (2.5) WITHIN EACH OF THE STATE DIVISION, SCHOOL DIVISION,
2 LOCAL GOVERNMENT DIVISION, AND JUDICIAL DIVISION TRUST FUNDS, AN
3 ANNUAL INCREASE RESERVE SHALL EXIST ON AND AFTER JANUARY 1,
4 2007.

5 **SECTION 4.** 24-51-211, Colorado Revised Statutes, is amended
6 to read:

7 **24-51-211. Amortization of liabilities.** An amortization period
8 for each of the state division, school division, local government division,
9 and judicial division trust funds shall be calculated separately. A
10 maximum amortization period of ~~forty~~ THIRTY years shall be deemed
11 actuarially sound. Upon recommendation of the board, and with the
12 advice of the actuary, the employer or member contribution rates for the
13 plan may be adjusted by the general assembly when indicated by actuarial
14 experience.

15 **SECTION 5.** 24-51-401 (1.7) (a) and (1.8), Colorado Revised
16 Statutes, are amended to read:

17 **24-51-401. Employer and member contributions.**
18 (1.7) (a) Employers shall deliver a contribution report and the full
19 amount of employer and member contributions to the association within
20 five days after the date members and retirees are paid. Except as
21 provided in ~~subsections (1.8) and (7)~~ SUBSECTION (7) of this section and
22 sections 22-64-220 (4) (j), C.R.S., and 24-51-408.5, such contributions
23 shall be based upon the rates for the appropriate division as set forth in
24 the following table multiplied by the salary, as defined in section
25 24-51-101 (42), paid to members and retirees for the payroll period:

26 **TABLE A**
27 **CONTRIBUTION RATES**

| 1 | Division | Membership | Employer Rate | Member Rate |
|----|-----------------|-------------------|----------------------|--------------------|
| 2 | State | All Members | 10.15% | 8.0% |
| 3 | | Except | | |
| 4 | | State Troopers | 12.85% | 10.0% |
| 5 | School | All Members | | |
| 6 | | 1/1/2006 through | | |
| 7 | | 12/31/2012 | 10.15% | 8.0% |
| 8 | | 1/1/2013 and | | |
| 9 | | thereafter | 10.55% | 8.0% |
| 10 | Local | | | |
| 11 | Government | All Members | 10.0% | 8.0% |
| 12 | Judicial | All Members | 13.66% | 8.0% |

13 (1.8) ~~If the actuarial value of assets exceeds one hundred ten~~
14 ~~percent of the actuarial accrued liabilities in any division, as determined~~
15 ~~by the association's actuary, the division shall be considered overfunded,~~
16 ~~and employer contribution rates shall be reduced as provided in section~~
17 ~~24-51-408.5 (5).~~

18 **SECTION 6.** 24-51-402 (3) (a), (3) (b) (I), and (3) (b) (II) (A),
19 Colorado Revised Statutes, are amended to read:

20 **24-51-402. Unpaid contributions for any member - legislative**
21 **declaration.** (3) If an employer fails to provide membership in the
22 association to an individual so entitled pursuant to the provisions of this
23 article or fails to provide the required level of employer contributions for
24 an individual pursuant to the provisions of this article, the following
25 payment shall be made to the association:

26 (a) If the individual is not a member or inactive member at the
27 time the association first notifies the employer of its claim for unpaid

1 contributions, the employer shall pay the unpaid employer contributions
2 on behalf of the individual for the period contributions should have been
3 made at the contribution rate applicable during such period, PLUS THE
4 AMORTIZATION EQUALIZATION DISBURSEMENT IN EFFECT PURSUANT TO
5 SECTION 24-51-411 FOR THE PERIOD CONTRIBUTIONS SHOULD HAVE BEEN
6 MADE, plus interest on such employer contributions AND THE
7 AMORTIZATION EQUALIZATION DISBURSEMENT at the applicable actuarial
8 investment assumption rate, as such interest rate is from time to time
9 adjusted, until such contributions are paid. If an employer pays
10 contributions pursuant to this paragraph (a) on behalf of an individual
11 who was not a member or inactive member when the association first
12 notifies the employer and such individual subsequently becomes a
13 member AND COMPLETES ONE YEAR OF EARNED SERVICE CREDIT, the
14 member may purchase service credit for the appropriate ~~time~~ period
15 ~~pursuant to the requirements of section 24-51-503~~ BY PAYING THE UNPAID
16 MEMBER CONTRIBUTIONS FOR THE PERIOD FOR WHICH CONTRIBUTIONS
17 SHOULD HAVE BEEN MADE AT THE CONTRIBUTION RATE APPLICABLE
18 DURING SUCH PERIOD, PLUS INTEREST ON SUCH MEMBER CONTRIBUTIONS
19 AT THE APPLICABLE ACTUARIAL INVESTMENT ASSUMPTION RATE, AS SUCH
20 INTEREST RATE IS FROM TIME TO TIME ADJUSTED, UNTIL SUCH
21 CONTRIBUTIONS ARE PAID.

22 (b) (I) If the individual is a member or inactive member at the
23 time the association first notifies the employer of its claim for unpaid
24 contributions, the payment equals the lesser of the following amounts:

25 (A) For a member, the cost to purchase the appropriate amount of
26 service credit at the rate established pursuant to section 24-51-505, PLUS
27 THE AMORTIZATION EQUALIZATION DISBURSEMENT IN EFFECT PURSUANT

1 TO SECTION 24-51-411 FOR THE PERIOD CONTRIBUTIONS SHOULD HAVE
2 BEEN MADE; and, for an inactive member, the cost to purchase the
3 appropriate amount of service credit at the rate established pursuant to
4 section 24-51-505, based upon the salary at the date of last employment,
5 PLUS THE AMORTIZATION EQUALIZATION DISBURSEMENT THAT SHOULD
6 HAVE BEEN MADE, plus interest at the applicable actuarial investment
7 assumption rate, as such interest rate is from time to time adjusted, from
8 the date of last employment until the date contributions are paid; or

9 (B) The unpaid employer and member contributions AND
10 AMORTIZATION EQUALIZATION DISBURSEMENT for the period contributions
11 should have been made, plus interest on such employer and member
12 contributions AND THE AMORTIZATION EQUALIZATION DISBURSEMENT at
13 the applicable actuarial investment assumption rate, as such interest rate
14 is from time to time adjusted, until such contributions are paid.

15 (II) The amounts paid to the association shall be allocated and
16 collected in the following order until the full amount that is owed under
17 subparagraph (I) of this paragraph (b) is reached:

18 (A) The employer shall first pay the unpaid employer
19 contributions AND AMORTIZATION EQUALIZATION DISBURSEMENT on
20 behalf of the member or inactive member for the period contributions
21 should have been made, plus interest on such employer contributions AND
22 AMORTIZATION EQUALIZATION DISBURSEMENT at the applicable actuarial
23 investment assumption rate, as such interest rate is from time to time
24 adjusted, until such contributions are paid;

25 **SECTION 7.** 24-51-405, Colorado Revised Statutes, is amended
26 BY THE ADDITION OF THE FOLLOWING NEW SUBSECTIONS to
27 read:

1 **24-51-405. Refund of the member contribution account.**

2 (8) AN INDIVIDUAL WHO REFUNDED HIS OR HER MEMBER CONTRIBUTION
3 ACCOUNT PURSUANT TO THIS SECTION AND AGAIN COMMENCES
4 MEMBERSHIP ON OR AFTER JULY 1, 2005, BUT BEFORE JANUARY 1, 2007,
5 WHETHER OR NOT THE INDIVIDUAL PURCHASES ALL OR PART OF THE
6 PERIOD ASSOCIATED WITH THE REFUNDED MEMBER CONTRIBUTION
7 ACCOUNT, SHALL HAVE NO RIGHTS ASSOCIATED WITH MEMBERSHIP PRIOR
8 TO JULY 1, 2005, EXCEPT AS MANDATED BY FEDERAL LAW, AND SUCH
9 INDIVIDUAL SHALL NOT BE CONSIDERED TO HAVE BEEN A MEMBER,
10 INACTIVE MEMBER OR RETIREE ON JUNE 31, 2005.

11 (9) AN INDIVIDUAL WHO REFUNDED HIS OR HER MEMBER
12 CONTRIBUTION ACCOUNT PURSUANT TO THIS SECTION AND AGAIN
13 COMMENCES MEMBERSHIP ON OR AFTER JANUARY 1, 2007, WHETHER OR
14 NOT THE INDIVIDUAL PURCHASES ALL OR PART OF THE PERIOD ASSOCIATED
15 WITH THE REFUNDED MEMBER CONTRIBUTION ACCOUNT, SHALL NOT HAVE
16 ANY RIGHTS ASSOCIATED WITH MEMBERSHIP PRIOR TO JANUARY 1, 2007,
17 EXCEPT AS MANDATED BY FEDERAL LAW, AND SUCH INDIVIDUAL SHALL
18 NOT BE CONSIDERED TO HAVE BEEN A MEMBER, INACTIVE MEMBER OR
19 RETIREE ON DECEMBER 31, 2006.

20 **SECTION 8.** 24-51-411, Colorado Revised Statutes, is amended
21 to read:

22 **24-51-411. Amortization equalization disbursement - repeal.**

23 (1) Beginning January 1, 2006, each employer shall deliver to the
24 association an amortization equalization disbursement AND, BEGINNING
25 JULY 1, 2007, A SUPPLEMENTAL AMORTIZATION EQUALIZATION
26 DISBURSEMENT pursuant to the same procedures specified for employer
27 contributions in section 24-51-401 (1.7). ~~The disbursement shall be~~

1 ~~subject to available appropriation as determined by the general assembly.~~
2 ~~Any such appropriation shall be identified in a separate line item for each~~
3 ~~department of state government.~~

4 (2) For the calendar year beginning January 1, 2006, the
5 amortization equalization disbursement shall be one-half of one percent
6 of the employer's total payroll. The amortization equalization payment
7 shall increase by one-half of one percent of total payroll on January 1,
8 2007, and shall increase by four-tenths of one percent of total payroll at
9 the start of each of the calendar years following 2007 through 2012.
10 ~~except as provided by subsection (3) of this section.~~ For purposes of this
11 section, the employer's total payroll shall be calculated by applying the
12 definition of salary, pursuant to section 24-51-101 (42), to the payroll for
13 all employees working for the employer who are members of the
14 association, or who were eligible to elect to become members of the
15 association on or after January 1, 2006, including any amounts paid in
16 connection with the employment of a retiree by an employer pursuant to
17 ~~part 11 of this article~~ SECTION 24-51-1101 (2).

18 (3) ~~The total of the amortization equalization disbursement shall~~
19 ~~not exceed three percent of the employer's total payroll for any calendar~~
20 ~~year. In the event that the association's actuary determines that the~~
21 ~~amortization period of the liabilities in the division is in compliance with~~
22 ~~section 24-51-211, then the amount of the amortization equalization~~
23 ~~disbursement for that division shall be reduced for the following calendar~~
24 ~~year to the percentage of total payroll needed to meet the standard in~~
25 ~~section 24-51-211.~~

26 (3.2) FOR THE FISCAL YEAR BEGINNING JULY 1, 2007, THE
27 SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT SHALL BE

1 ONE-HALF OF ONE PERCENT OF THE EMPLOYER'S TOTAL PAYROLL. THE
2 SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT SHALL
3 INCREASE BY ONE-HALF OF ONE PERCENT OF TOTAL PAYROLL ON JULY 1 OF
4 EACH YEAR FOLLOWING 2007 THROUGH 2012. FOR PURPOSES OF THIS
5 SECTION, THE EMPLOYER'S TOTAL PAYROLL SHALL BE CALCULATED BY
6 APPLYING THE DEFINITION OF SALARY, PURSUANT TO SECTION 24-51-101
7 (42), TO THE PAYROLL FOR ALL EMPLOYEES WORKING FOR THE EMPLOYER
8 WHO ARE MEMBERS OF THE ASSOCIATION, OR WHO WERE ELIGIBLE TO
9 ELECT TO BECOME MEMBERS OF THE ASSOCIATION ON OR AFTER JANUARY
10 1, 2006, INCLUDING ANY AMOUNTS PAID IN CONNECTION WITH THE
11 EMPLOYMENT OF A RETIREE BY AN EMPLOYER PURSUANT TO SECTION
12 24-51-1101 (2).

13 (3.5) THE AMORTIZATION EQUALIZATION DISBURSEMENT AND THE
14 SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT PAYMENTS
15 BY ALL DIVISIONS SHALL CONTINUE UNTIL ADJUSTED PURSUANT TO THIS
16 SUBSECTION (3.5). WHEN THE ACTUARIAL FUNDED RATIO OF A
17 PARTICULAR DIVISION OF THE ASSOCIATION IS ONE HUNDRED PERCENT AS
18 DETERMINED IN THE ANNUAL ACTUARIAL STUDY OF THE ASSOCIATION, THE
19 ACTUARY SHALL DETERMINE THE AMOUNT BY WHICH THE AMORTIZATION
20 EQUALIZATION DISBURSEMENT AND SUPPLEMENTAL AMORTIZATION
21 EQUALIZATION DISBURSEMENT CAN BE REDUCED, IN EQUAL PARTS, FOR
22 THAT PARTICULAR DIVISION AND STILL MAINTAIN THE ACTUARIAL FUNDED
23 RATIO OF THAT DIVISION AT ONE HUNDRED PERCENT. THE AMORTIZATION
24 EQUALIZATION DISBURSEMENT AND SUPPLEMENTAL AMORTIZATION
25 EQUALIZATION DISBURSEMENT SHALL BE REDUCED FOR THAT DIVISION IN
26 THE AMOUNTS DETERMINED BY THE ACTUARY EFFECTIVE JANUARY 1 OF
27 THE FOLLOWING YEAR.

1 (3.7) FOR STATE EMPLOYERS IN THE STATE DIVISION, FOR THE
2 2007-08 STATE FISCAL YEAR AND FOR EACH FISCAL YEAR THROUGH THE
3 2012-13 STATE FISCAL YEAR, FROM THE AMOUNT OF CHANGES TO STATE
4 EMPLOYEES' SALARIES AND ANY ADJUSTMENTS TO THE ANNUAL GENERAL
5 APPROPRIATION ACT PURSUANT TO SECTION 24-50-104, AN AMOUNT
6 EQUAL TO ONE-HALF OF ONE PERCENT OF TOTAL SALARY SHALL BE
7 DEDUCTED AND SUCH AMOUNT SHALL BE UTILIZED BY THE EMPLOYER TO
8 FUND THE SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT.
9 FOR THE SCHOOL, LOCAL GOVERNMENT, AND JUDICIAL DIVISIONS, AND THE
10 REMAINING EMPLOYERS IN THE STATE DIVISION WHO ARE NOT STATE
11 EMPLOYERS, THE SUPPLEMENTAL AMORTIZATION EQUALIZATION
12 DISBURSEMENT SHALL, TO THE EXTENT PERMITTED BY LAW, BE FUNDED BY
13 ALLOCATION OF FUNDS OTHERWISE AVAILABLE FOR USE AS EMPLOYEE
14 COMPENSATION INCREASES PRIOR TO AWARD AS SALARY OR OTHER
15 COMPENSATION TO EMPLOYEES.

16 (4) Any reduction in the amortization equalization disbursement
17 AND IN THE SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT
18 pursuant to ~~subsection (3)~~ SUBSECTION (3.5) of this section shall be
19 irrevocable. If the ~~entire disbursement becomes~~ DISBURSEMENTS BECOME
20 no longer necessary pursuant to ~~subsection (3)~~ SUBSECTION (3.5) of this
21 section, then the association shall notify the revisor of statutes to repeal
22 this section. MONEYS MADE AVAILABLE DUE TO ANY REDUCTION IN THE
23 SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT PURSUANT
24 TO SUBSECTION (3.5) OF THIS SECTION SHALL, TO THE EXTENT PERMITTED
25 BY LAW, BE ALLOCATED TO EMPLOYEE COMPENSATION INCREASES TO THE
26 EXTENT SUCH SOURCE WAS ORIGINALLY USED BY AN EMPLOYER TO FUND
27 THE SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT.

1 (5) This section is repealed, effective upon receipt by the revisor
2 of statutes of a notice pursuant to subsection (4) of this section.

3 **SECTION 9.** 24-51-502, Colorado Revised Statutes, is amended
4 BY THE ADDITION OF A NEW SUBSECTION to read:

5 **24-51-502. Purchased service credit.** (3) SERVICE CREDIT
6 PURCHASED PURSUANT TO THIS PART 5 BY MEMBERS WHO WERE MEMBERS,
7 INACTIVE MEMBERS, OR RETIREES ON DECEMBER 31, 2006, SHALL BE
8 SUBJECT TO THE BENEFIT PROVISIONS IN EFFECT FOR THE EXISTING
9 MEMBER CONTRIBUTION ACCOUNT. SERVICE CREDIT PURCHASED
10 PURSUANT TO THIS PART 5 BY MEMBERS WHO WERE NOT MEMBERS,
11 INACTIVE MEMBERS, OR RETIREES ON DECEMBER 31, 2006, SHALL BE
12 SUBJECT TO THE BENEFIT PROVISIONS IN EFFECT FOR SUCH MEMBER AT THE
13 TIME OF THE INITIATION OF PAYMENT OF THE PURCHASE.

14 **SECTION 10.** 24-51-503 (2), Colorado Revised Statutes, is
15 amended, and the said 24-51-503 is further amended BY THE
16 ADDITION OF A NEW SUBSECTION, to read:

17 **24-51-503. Purchase of service credit relating to a refunded**
18 **member contribution account.** (2) FOR MEMBERS WHO WERE
19 MEMBERS, INACTIVE MEMBERS, OR RETIREES ON DECEMBER 31, 2006, the
20 cost to purchase the forfeited service credit shall be the amount refunded
21 plus interest accrued from the date of refund to completion of purchase.

22 (4) FOR MEMBERS WHO WERE NOT MEMBERS, INACTIVE MEMBERS,
23 OR RETIREES ON DECEMBER 31, 2006, THE COST TO PURCHASE THE
24 FORFEITED SERVICE CREDIT SHALL BE THE AMOUNT REFUNDED, PLUS
25 INTEREST ACCRUED FROM THE DATE OF REFUND TO COMPLETION OF
26 PURCHASE, PLUS AN AMOUNT EQUAL TO ONE PERCENT OF THE MEMBER'S
27 HIGHEST AVERAGE SALARY FOR EACH MONTH OR PARTIAL MONTH OF

1 SERVICE CREDIT TO BE PURCHASED. THE HIGHEST AVERAGE SALARY
2 SHALL BE CALCULATED EITHER BASED ON THE SALARY CURRENTLY
3 REFLECTED IN THE MEMBER ACCOUNT OR BY ASSUMING THE MEMBER'S
4 ACCOUNT HAS BEEN CREDITED WITH THE SERVICE CREDIT AND SALARY
5 ASSOCIATED WITH THE FORFEITED SERVICE CREDIT WHICH IS THE SUBJECT
6 OF THE PURCHASE, WHICHEVER IS HIGHER. THE ONE PERCENT OF HIGHEST
7 AVERAGE SALARY FOR EACH MONTH OR PARTIAL MONTH OF SERVICE
8 CREDIT PURCHASED SHALL BE ALLOCATED TO THE ANNUAL INCREASE
9 RESERVE PURSUANT TO PART 10 OF THIS ARTICLE.

10 **SECTION 11.** 24-51-505 (3) and (7), Colorado Revised Statutes,
11 are amended to read:

12 **24-51-505. Purchase of service credit relating to noncovered**
13 **employment.** (3) The cost to purchase service credit for noncovered
14 employment shall be determined by the board AND SHALL BE SUFFICIENT
15 TO PAY THE ACTUARIAL LIABILITY ASSOCIATED WITH THE PURCHASE.

16 (7) A portion of the amount paid by a member to purchase service
17 credit related to noncovered employment shall be transferred to the health
18 care trust fund on the effective date of the member's retirement or, in case
19 of death prior to retirement, on the effective date of the survivor benefit.
20 The amount transferred shall be one and ~~one-tenth~~ TWO-ONE
21 HUNDREDTHS percent of the member's highest average salary at the time
22 of the purchase, with interest at the rate specified in section 24-51-101
23 (28) (a).

24 **SECTION 12.** 24-51-602 (1) (a.5) and (1) (c), Colorado Revised
25 Statutes, are amended, and the said 24-51-602 (1) is further amended BY
26 THE ADDITION OF THE FOLLOWING NEW PARAGRAPHS, to
27 read:

1 **TABLE B.07**

2 **SERVICE RETIREMENT ELIGIBILITY**

3 **AGE REQUIREMENT** **SERVICE CREDIT**

4 **REQUIREMENT**

5 **(YEARS)** **(YEARS)**

6

| | |
|-----------|----|
| 7 ANY AGE | 35 |
| 8 55 | 30 |
| 9 60 | 25 |
| 10 65 | 5 |

11 (c) Members WHO WERE MEMBERS, INACTIVE MEMBERS, OR
12 RETIREES ON DECEMBER 31, 2006, AND who are fifty-five years of age or
13 older shall, upon written application and approval of the board, receive
14 service retirement benefits pursuant to the benefit formula set forth in
15 section 24-51-603, without reduction pursuant to section 24-51-604, if
16 they have at least five years of service credit and if the number of years
17 of their age plus the number of years of their service credit equals eighty
18 years or more.

19 (d) MEMBERS WHO WERE NOT MEMBERS, INACTIVE MEMBERS OR
20 RETIREES ON DECEMBER 31, 2006, AND WHO ARE FIFTY-FIVE YEARS OF
21 AGE OR OLDER SHALL, UPON WRITTEN APPLICATION AND APPROVAL OF THE
22 BOARD, RECEIVE SERVICE RETIREMENT BENEFITS PURSUANT TO THE
23 BENEFIT FORMULA SET FORTH IN SECTION 24-51-603, WITHOUT REDUCTION
24 PURSUANT TO SECTION 24-51-604, IF THEY HAVE AT LEAST FIVE YEARS OF
25 SERVICE CREDIT AND IF THE NUMBER OF YEARS OF THEIR AGE PLUS THE
26 NUMBER OF YEARS OF THEIR SERVICE CREDIT EQUALS EIGHTY-FIVE YEARS
27 OR MORE.

1 **SECTION 13.** 24-51-606 (1), Colorado Revised Statutes, is
2 amended, and the said 24-51-606 is further amended BY THE
3 ADDITION OF A NEW SUBSECTION, to read:

4 **24-51-606. Vested inactive member rights.** (1) Any member
5 WHO WAS A MEMBER, INACTIVE MEMBER, OR RETIREE ON DECEMBER 31,
6 2006, who has earned at least five years of service credit and who
7 terminates membership and does not elect to receive a refund pursuant to
8 the provisions of section 24-51-405 shall be eligible for a benefit to
9 become effective upon reaching the age specified in table B in section
10 24-51-602 for a service retirement or in table C in section 24-51-604 for
11 a reduced service retirement.

12 (1.5) ANY MEMBER WHO WAS NOT A MEMBER, INACTIVE MEMBER,
13 OR RETIREE ON DECEMBER 31, 2006, WHO HAS EARNED AT LEAST FIVE
14 YEARS OF SERVICE CREDIT AND WHO TERMINATES MEMBERSHIP AND DOES
15 NOT ELECT TO RECEIVE A REFUND PURSUANT TO THE PROVISIONS OF
16 SECTION 24-51-405 SHALL BE ELIGIBLE FOR A BENEFIT TO BECOME
17 EFFECTIVE UPON WRITTEN APPLICATION AND APPROVAL BY THE BOARD
18 AND UPON REACHING THE AGE SPECIFIED IN TABLE B.05, B.07, OR B.1 OF
19 SECTION 24-51-602, AS APPLICABLE, FOR A SERVICE RETIREMENT OR IN
20 TABLE C OF SECTION 24-51-604 FOR A REDUCED SERVICE RETIREMENT.
21 NOTWITHSTANDING THE PROVISIONS OF THIS SUBSECTION (1.5), FOR SUCH
22 A MEMBER WHO APPLIES FOR RETIREMENT WITHIN NINETY DAYS AFTER
23 THE MEMBER ATTAINS AGE AND SERVICE ELIGIBILITY, THE EFFECTIVE DATE
24 OF RETIREMENT SHALL BE THE DATE THE MEMBER ATTAINS SUCH AGE AND
25 SERVICE ELIGIBILITY.

26 **SECTION 14.** 24-51-606.5, Colorado Revised Statutes, is
27 amended to read:

1 **24-51-606.5. Indexation of benefits for vested inactive**
2 **members.** A vested inactive member WHO WAS A MEMBER OR INACTIVE
3 MEMBER ON DECEMBER 31, 2006, who has at least twenty-five years of
4 service credit prior to terminating membership shall be eligible, upon
5 retirement, for a benefit, as calculated pursuant to the provisions of
6 section 24-51-603 or 24-51-605, which has been increased by the annual
7 increase specified in sections 24-51-1001 to 24-51-1003, from the date of
8 termination of membership or July 1, 1993, whichever is later, to the
9 effective date of retirement.

10 **SECTION 15.** Part 6 of article 51 of title 24, Colorado Revised
11 Statutes, is amended BY THE ADDITION OF A NEW SECTION to
12 read:

13 **24-51-615. Distribution of benefits.** DISTRIBUTION OF BENEFITS
14 FROM EACH DIVISION TRUST FUND SHALL BE MADE IN ACCORDANCE WITH
15 SECTION 401(a) (9) OF THE FEDERAL "INTERNAL REVENUE CODE OF 1986",
16 AS AMENDED, INCLUDING THE INCIDENTAL DEATH BENEFIT REQUIREMENT
17 IN SECTION 401 (a) (9) (G), AND THE APPLICABLE TREASURY REGULATIONS
18 AND INTERNAL REVENUE SERVICE RULINGS AND OTHER INTERPRETATIONS
19 ISSUED THEREUNDER, INCLUDING TREASURY REGULATIONS SECTIONS
20 1.401 (a) (9)-2 TO 1.401 (a) (9)-9. THE PROVISIONS OF THIS SECTION SHALL
21 OVERRIDE ANY DISTRIBUTION OPTIONS THAT ARE INCONSISTENT WITH
22 SECTION 401 (a) (9) OF THE FEDERAL "INTERNAL REVENUE CODE OF
23 1986", AS AMENDED, TO THE EXTENT THAT THOSE DISTRIBUTION OPTIONS
24 ARE NOT GRANDFATHERED UNDER TREASURY REGULATIONS SECTION
25 1.401 (a) (9)-6.

26 **SECTION 16.** 24-51-803 (1), Colorado Revised Statutes, is
27 amended to read:

1 **24-51-803. Determination of option 2 or 3 benefits.** (1) For
2 service retirement, the calculation of benefits payable pursuant to option
3 2 or 3, as set forth in section 24-51-801, shall be actuarially determined
4 as of the date the retiree ~~first became eligible~~ ATTAINED THE AGE AND
5 SERVICE REQUIREMENTS for service retirement regardless of the effective
6 date of such retirement.

7 **SECTION 17.** 24-51-1001 (1), Colorado Revised Statutes, is
8 amended, and the said 24-51-1001 is further amended BY THE
9 ADDITION OF A NEW SUBSECTION, to read:

10 **24-51-1001. Types of benefit increases.** (1) FOR BENEFIT
11 RECIPIENTS WHOSE BENEFITS ARE BASED ON THE ACCOUNT OF A MEMBER
12 WHO WAS A MEMBER, INACTIVE MEMBER, OR RETIREE ON DECEMBER 31,
13 2006, annual increases in retirement benefits and survivor benefits shall
14 occur on March 1 if said benefits have been paid for at least three months
15 preceding March 1. Such increases in benefits shall be calculated in
16 accordance with the provisions of sections 24-51-1002 and 24-51-1003
17 and shall be paid from the division trust funds.

18 (3) FOR BENEFIT RECIPIENTS WHOSE BENEFITS ARE BASED ON THE
19 ACCOUNT OF A MEMBER WHO WAS NOT A MEMBER, INACTIVE MEMBER, OR
20 RETIREE ON DECEMBER 31, 2006, ANNUAL INCREASES IN RETIREMENT
21 BENEFITS AND SURVIVOR BENEFITS, IF ANY, SHALL BE EFFECTIVE WITH THE
22 JULY BENEFIT IN ACCORDANCE WITH THE PROVISIONS OF SECTION
23 24-51-1603 AND SHALL BE PAID FROM THE RETIREMENT BENEFITS
24 RESERVE OR THE SURVIVOR BENEFITS RESERVE, AS APPROPRIATE, SO LONG
25 AS THE FOLLOWING REQUIREMENTS ARE SATISFIED:

26 (a) THE BENEFITS HAVE BEEN PAID TO THE BENEFIT RECIPIENT FOR
27 THE FULL PRECEDING CALENDAR YEAR; AND

1 (b) THE RETIREE IS OLDER THAN SIXTY YEARS OF AGE AS OF
2 DECEMBER 31 OF THE PRECEDING CALENDAR YEAR. NO MINIMUM AGE
3 SHALL BE REQUIRED FOR DISABILITY RETIREES AND SURVIVOR BENEFIT
4 RECIPIENTS.

5 **SECTION 18.** 24-51-1002 (1), (1) (a.5) (I), and (1) (a.5) (II),
6 Colorado Revised Statutes, are amended, and the said 24-51-1002 is
7 further amended BY THE ADDITION OF A NEW SUBSECTION, to
8 read:

9 **24-51-1002. Annual percentages to be used.** (1) FOR BENEFIT
10 RECIPIENTS WHOSE BENEFITS ARE BASED ON THE ACCOUNT OF A MEMBER
11 WHO WAS A MEMBER, INACTIVE MEMBER, OR RETIREE ON DECEMBER 31,
12 2006, the cumulative increase applied to benefits paid shall be
13 recalculated annually as of March 1 and shall be the total percent derived
14 by multiplying three and one-half percent, compounded annually, times
15 the number of years such benefit has been effective after March 1, 2000.
16 Benefits for vested inactive members with at least twenty-five years of
17 service credit and benefits for survivors of deceased vested inactive
18 members who had at least twenty-five years of service credit shall be
19 increased by the annual increase specified in sections 24-51-1001 to
20 24-51-1003 under prior law from the date of termination of membership
21 or July 1, 1993, whichever is later, to March 1, 2000, or the date benefits
22 commence, whichever is earlier.

23 (a.5) (I) Notwithstanding subsection (1) of this section, the
24 increase applied to benefits of persons ~~who become members on or after~~
25 ~~July 1, 2005, and were not members, inactive members, or retirees on July~~
26 ~~1, 2005,~~ WHOSE BENEFITS ARE BASED ON THE ACCOUNT OF A MEMBER
27 WHO WAS NOT A MEMBER, INACTIVE MEMBER, OR RETIREE ON JUNE 30,

1 2005, BUT WAS A MEMBER, INACTIVE MEMBER, OR RETIREE ON DECEMBER
2 31, 2006, shall be the lesser of three percent or the actual increase, as
3 calculated by the United States department of labor, in the national
4 consumer price index for urban wage earners and clerical workers during
5 the calendar year preceding the increase in the benefit. The increase
6 applied to such benefits shall be recalculated annually as of March 1, and
7 shall be the compounded annual percentage of the annual increases
8 applied to such benefits. If the benefit has not been paid during all twelve
9 months of the calendar year preceding March 1, then the annual increase
10 shall be prorated.

11 (II) Benefits for vested inactive members WHO WERE NOT
12 MEMBERS, INACTIVE MEMBERS, OR RETIREEES ON JUNE 30, 2005, BUT WERE
13 MEMBERS, INACTIVE MEMBERS, OR RETIREEES ON DECEMBER 31, 2006, with
14 at least twenty-five years of service credit, ~~who become members on or~~
15 ~~after July 1, 2005, and were not members, inactive members, or retirees~~
16 ~~on July 1, 2005~~, as well as benefits for survivors of such deceased vested
17 inactive members who had at least twenty-five years of service credit
18 shall be increased by the annual increase specified in sections 24-51-1001
19 and 24-51-1003 and subparagraph (I) of this paragraph (a.5), from the
20 date of termination of membership to the date benefits commence.

21 (3) NOTWITHSTANDING THE PROVISIONS OF SUBSECTION (1) OF
22 THIS SECTION AND OF PARAGRAPH (a.5) OF SUBSECTION (1) OF THIS
23 SECTION, THE INCREASE, IF ANY, APPLIED TO THE BENEFITS OF PERSONS
24 WHOSE BENEFITS ARE BASED ON THE ACCOUNT OF A MEMBER WHO WAS
25 NOT A MEMBER, INACTIVE MEMBER, OR RETIREE ON DECEMBER 31, 2006,
26 WILL BE CALCULATED AND PAID IN ACCORDANCE WITH SECTION
27 24-51-1009.

1 **SECTION 19.** Part 10 of article 51 of title 24, Colorado Revised
2 Statutes, is amended BY THE ADDITION OF THE FOLLOWING NEW
3 SECTIONS to read:

4 **24-51-1009. Annual increase reserve - creation.** (1) EACH
5 YEAR PRIOR TO THE EFFECTIVE DATE OF AN ANNUAL INCREASE, THE BOARD
6 SHALL DETERMINE THE AMOUNT OF THE ANNUAL INCREASE TO BE PAID, IF
7 ANY. IN NO EVENT SHALL THE BOARD AWARD AN ANNUAL INCREASE TO
8 ANY DIVISION THAT EXCEEDS THE AMOUNT PROVIDED FOR IN THIS
9 SECTION.

10 (2) THE MAXIMUM ANNUAL INCREASE THAT MAY BE AWARDED BY
11 THE BOARD PURSUANT TO SECTION 24-51-1001 (3), SHALL BE DETERMINED
12 BASED ON ANNUAL ACTUARIAL VALUATIONS OF THE ANNUAL INCREASE
13 RESERVE OF EACH DIVISION. EACH YEAR AFTER THE BOARD DETERMINES
14 THE ANNUAL INCREASE AMOUNT, AND PRIOR TO ITS EFFECTIVE DATE, A
15 SUM EQUAL TO THE NET PRESENT VALUE OF THE TOTAL ACTUARIAL COST
16 OF PAYING THE ANNUAL INCREASE TO ALL ELIGIBLE RECIPIENTS SHALL BE
17 REALLOCATED FROM THE ANNUAL INCREASE RESERVES OF EACH DIVISION
18 TO THE RETIREMENT BENEFITS RESERVE OR THE SURVIVOR BENEFITS
19 RESERVE, AS APPROPRIATE. ALL ANNUAL INCREASE PAYMENTS SHALL BE
20 MADE FROM THE RESERVES USED FOR MONTHLY BENEFIT PAYMENTS AND
21 NO ANNUAL INCREASE PAYMENTS SHALL BE MADE FROM THE ANNUAL
22 INCREASE RESERVE.

23 (3) THE ANNUAL INCREASE RESERVE OF EACH DIVISION SHALL
24 CONTAIN THE ALLOCATIONS SPECIFIED IN THIS SUBSECTION (3). SUCH
25 AMOUNTS SHALL BE RETAINED IN THE ANNUAL INCREASE RESERVE OF
26 EACH DIVISION UNTIL REMOVED FROM THAT RESERVE PURSUANT TO THIS
27 SECTION. THE ALLOCATIONS SHALL BE AS FOLLOWS:

1 (a) A PORTION OF THE EMPLOYER CONTRIBUTION SPECIFIED IN
2 SECTION 24-51-401 (1.7) (a) EQUAL TO ONE PERCENT OF THE SALARIES OF
3 MEMBERS WHO WERE NOT MEMBERS, INACTIVE MEMBERS, OR RETIREES ON
4 DECEMBER 31, 2006;

5 (b) A SUM RECEIVED IN CONNECTION WITH PURCHASED SERVICE
6 CREDIT PURSUANT TO 24-51-503 (3), SPECIFIED AS ANNUAL INCREASE
7 ALLOCATION; AND

8 (c) A PROPORTIONAL SHARE OF THE INVESTMENT INCOME EARNED
9 ON THE AMOUNTS SPECIFIED IN PARAGRAPHS (a) AND (b) OF THIS
10 SUBSECTION (3).

11 (4) AN ACTUARIAL VALUATION SHALL BE CONDUCTED EACH YEAR
12 FOR THE ANNUAL INCREASE RESERVE OF EACH DIVISION, FOR THE
13 PURPOSES OF THIS SECTION. THE ACTUARIAL VALUATION SHALL INCLUDE
14 A DETERMINATION OF THE TOTAL MARKET VALUE OF THE ASSETS IN THE
15 RESERVE AND A CALCULATION OF THE NET PRESENT VALUE OF THE
16 ACTUARIAL LIABILITIES ASSOCIATED WITH PROVIDING EACH OF THE
17 ANNUAL INCREASES DESCRIBED IN PARAGRAPHS (a), (b), AND (c) OF THIS
18 SUBSECTION (4). THE MAXIMUM ANNUAL INCREASE AWARDED BY THE
19 BOARD SHALL BE THE LESSER OF THE FOLLOWING CALCULATIONS:

20 (a) A PERMANENT INCREASE EQUAL TO THREE PERCENT OF
21 CURRENT BENEFITS PAYABLE TO BENEFIT RECIPIENTS THEN ELIGIBLE FOR
22 AN ANNUAL INCREASE IN ACCORDANCE WITH SECTION 24-51-1001 (3);

23 (b) A PERMANENT INCREASE OF CURRENT BENEFITS PAYABLE TO
24 BENEFIT RECIPIENTS THEN ELIGIBLE FOR AN ANNUAL INCREASE IN
25 ACCORDANCE WITH SECTION 24-51-1001 (3) THAT IS EQUAL TO THE
26 ACTUAL INCREASE, AS CALCULATED BY THE UNITED STATES DEPARTMENT
27 OF LABOR, IN THE NATIONAL CONSUMER PRICE INDEX FOR URBAN WAGE

1 EARNERS AND CLERICAL WORKERS FOR THE YEAR ASSOCIATED WITH THE
2 ACTUARIAL VALUATION OF THE ANNUAL INCREASE RESERVE; OR

3 (c) A PERMANENT INCREASE OF CURRENT BENEFITS PAYABLE TO
4 BENEFIT RECIPIENTS THEN ELIGIBLE FOR AN ANNUAL INCREASE IN
5 ACCORDANCE WITH SECTION 24-51-1001 (3) THAT WILL EXHAUST TEN
6 PERCENT OF THE YEAR END BALANCE AT MARKET VALUE OF THE ANNUAL
7 INCREASE RESERVE.

8 (5) NO CALCULATION MADE PURSUANT TO THIS SECTION SHALL
9 CAUSE A REDUCTION IN CURRENT BENEFITS OF ELIGIBLE BENEFIT
10 RECIPIENTS.

11 **24-51-1010. Increase in benefits - actuarial assessment**

12 **required.** (1) BEFORE INCREASING BENEFITS PROVIDED BY THE
13 ASSOCIATION, THE GENERAL ASSEMBLY SHALL CAUSE TO BE CONDUCTED
14 PURSUANT TO SUBSECTION (2) OF THIS SECTION AN ACTUARIAL
15 ASSESSMENT TO ENSURE THAT THE INCREASES IN BENEFITS WOULD NOT
16 CAUSE THE ACTUARIAL VALUE OF ASSETS OF THE ASSOCIATION TO DECLINE
17 BELOW NINETY PERCENT OF THE ACTUARIAL ACCRUED LIABILITIES OF THE
18 ASSOCIATION.

19 (2) UPON DIRECTION FROM THE PRESIDENT OF THE SENATE AND
20 THE SPEAKER OF THE HOUSE OF REPRESENTATIVES, THE DIRECTOR OF
21 RESEARCH OF THE LEGISLATIVE COUNCIL SHALL CONTRACT WITH A
22 PRIVATE PERSON TO CONDUCT AN ACTUARIAL ASSESSMENT OF THE
23 ASSOCIATION. THE ASSESSMENT SHALL BE CONDUCTED TO DETERMINE
24 WHETHER AND TO WHAT EXTENT AN INCREASE IN THE BENEFITS PROVIDED
25 BY THE ASSOCIATION WOULD CAUSE THE ACTUARIAL VALUE OF THE
26 ASSETS OF THE ASSOCIATION TO DECLINE BELOW NINETY PERCENT OF THE
27 ACTUARIAL ACCRUED LIABILITIES OF THE ASSOCIATION. THE ASSESSMENT

1 SHALL BE COMPLETED AND A FINAL REPORT OF ITS FINDINGS AND
2 CONCLUSIONS SHALL BE SUBMITTED TO THE GENERAL ASSEMBLY AS SOON
3 AS PRACTICABLE. THE PERSON CONDUCTING THE ACTUARIAL ASSESSMENT
4 OF THE ASSOCIATION AND SUCH PERSON'S EMPLOYEES SHALL, DURING THE
5 TERM OF THE CONTRACT, HAVE ACCESS TO ANY NECESSARY DOCUMENTS
6 AND INFORMATION IN THE CUSTODY OF THE ASSOCIATION.

7 **SECTION 20.** 24-51-1101 (2), Colorado Revised Statutes, is
8 amended to read:

9 **24-51-1101. Employment after service retirement.** (2) Salary
10 from the employment, ~~described in subsection (1) of this section~~
11 ENGAGEMENT, RETENTION, OR OTHER USE OF A SERVICE RETIREE IN AN
12 INDIVIDUAL CAPACITY OR OF ANY ENTITY OWNED OR OPERATED BY A
13 SERVICE RETIREE OR AFFILIATED PARTY BY AN EMPLOYER TO PERFORM
14 ANY SERVICE AS AN EMPLOYEE, CONTRACT EMPLOYEE, CONSULTANT,
15 INDEPENDENT CONTRACTOR, OR THROUGH ANY OTHER ARRANGEMENT,
16 shall be subject to employer contributions but shall not be subject to
17 member contributions except as provided in section 24-51-1103. Salary
18 from employment by a retiree who is serving in a state elected official's
19 position shall not be subject to employer contributions.

20 **SECTION 21.** 24-51-1102 (4), Colorado Revised Statutes, is
21 amended to read:

22 **24-51-1102. Reduction of a service retirement benefit -**
23 **disclosure of service agreements by employers - definitions.** (4) For
24 purposes of ~~this part~~ ~~11~~ SUBSECTIONS (1) AND (2) OF THIS SECTION,
25 "employment" ~~of a retiree by an employer~~ means engagement, hiring,
26 retention, ~~or other use of a service retiree in an individual capacity or of~~
27 ~~any entity owned or operated by a service retiree or affiliated party by an~~

1 ~~employer to perform any service as an employee, contract employee,~~
2 ~~consultant, independent contractor, or through any other arrangement~~
3 SHALL BE DETERMINED BY THE ASSOCIATION CONSISTENT WITH THE
4 INTERNAL REVENUE SERVICE'S GUIDANCE IN REVENUE RULING 87-41, 1987
5 - 1 C.B. 296, AS REVISED FROM TIME TO TIME.

6 **SECTION 22.** 24-51-1503, Colorado Revised Statutes, is
7 amended BY THE ADDITION OF A NEW SUBSECTION to read:

8 **24-51-1503. Defined contribution plan option.** (3) (a) AN
9 ELIGIBLE EMPLOYEE WHO IS A MEMBER, INACTIVE MEMBER, OR RETIREE OF
10 THE DEFINED BENEFIT PLAN ON DECEMBER 31, 2006, AND ELECTS TO
11 PARTICIPATE IN OR IS AUTOMATICALLY ENROLLED IN THE ASSOCIATION'S
12 DEFINED BENEFIT PLAN, OR WHO MAKES AN ELECTION PURSUANT TO
13 SECTION 24-51-1506 (1) TO BECOME A MEMBER OF THE ASSOCIATION'S
14 DEFINED BENEFIT PLAN, SHALL BE SUBJECT TO THE BENEFIT PROVISIONS IN
15 EFFECT FOR THE EXISTING MEMBER CONTRIBUTION ACCOUNT.

16 (b) AN ELIGIBLE EMPLOYEE WHO ELECTS TO PARTICIPATE IN THE
17 ASSOCIATION'S DEFINED CONTRIBUTION PLAN AND IS NOT A MEMBER,
18 INACTIVE MEMBER, OR RETIREE OF THE DEFINED BENEFIT PLAN ON
19 DECEMBER 31, 2005, AND SUBSEQUENTLY BECOMES A MEMBER OF THE
20 ASSOCIATION'S DEFINED BENEFIT PLAN SHALL BE SUBJECT TO THE BENEFIT
21 PROVISIONS IN EFFECT AT THE TIME THE EMPLOYEE BECOMES A MEMBER
22 OF THE ASSOCIATION'S DEFINED BENEFIT PLAN. ANY SERVICE CREDIT
23 PURCHASED FOR THE PERIOD OF EMPLOYMENT COVERED BY THE DEFINED
24 CONTRIBUTION PLAN SHALL BE SUBJECT TO THE BENEFIT PROVISIONS IN
25 EFFECT FOR SUCH MEMBER AT THE TIME OF THE COMMENCEMENT OF THE
26 PURCHASE.

27 **SECTION 23.** Part 15 of article 51 of title 24, Colorado Revised

1 Statutes, is amended BY THE ADDITION OF A NEW SECTION to
2 read:

3 **24-51-1511. Limitation on actions by eligible employees.**
4 ADMINISTRATIVE ACTIONS OR CIVIL ACTIONS BROUGHT BY EMPLOYEES TO
5 DISPUTE THE ELECTION FOR PARTICIPATION OR FAILURE TO ELECT
6 PARTICIPATION IN THE ASSOCIATION'S DEFINED BENEFIT PLAN, THE
7 ASSOCIATION'S DEFINED CONTRIBUTION PLAN, OR THE DEFINED
8 CONTRIBUTION PLAN ESTABLISHED PURSUANT TO PART 2 OF ARTICLE 52 OF
9 THIS TITLE SHALL COMMENCE WITHIN ONE HUNDRED EIGHTY DAYS AFTER
10 THE ELECTION OR WITHIN ONE HUNDRED EIGHTY DAYS OF THE LAST DAY
11 ON WHICH THE EMPLOYEE MAY MAKE AN ELECTION TO PARTICIPATE IN
12 SUCH PLAN PURSUANT TO THIS ARTICLE AND ARTICLE 52 OF THIS TITLE,
13 WHICHEVER IS EARLIER, AND NOT THEREAFTER.

14 **SECTION 23.** 24-52-204, Colorado Revised Statutes, is amended
15 to read:

16 **24-52-204. Employer and employee contributions.** Rates for
17 employer and employee contributions to a defined contribution plan
18 established pursuant to this part 2 shall be the same as the rates that would
19 be payable by such employer and employee to the association for the state
20 division pursuant to ~~section 24-51-401~~ SECTIONS 24-51-401 AND
21 24-51-1602.

22 **SECTION 24.** Part 2 of article 52 of title 24, Colorado Revised
23 Statutes, is amended BY THE ADDITION OF A NEW SECTION to
24 read:

25 **24-52-209. Limitation of actions by eligible**
26 **employees.** ADMINISTRATIVE ACTIONS OR CIVIL ACTIONS BROUGHT BY
27 EMPLOYEES TO DISPUTE THE ELECTION FOR PARTICIPATION OR FAILURE TO

1 ELECT PARTICIPATION IN THE ASSOCIATION'S DEFINED BENEFIT PLAN, THE
2 ASSOCIATION'S DEFINED CONTRIBUTION PLAN, OR THE DEFINED
3 CONTRIBUTION PLAN CREATED PURSUANT TO THIS PART 2 SHALL
4 COMMENCE WITHIN ONE HUNDRED EIGHTY DAYS AFTER THE ELECTION OR
5 WITHIN ONE HUNDRED EIGHTY DAYS OF THE LAST DAY ON WHICH THE
6 EMPLOYEE MAY MAKE AN ELECTION TO PARTICIPATE IN SUCH PLANS
7 PURSUANT TO THIS ARTICLE AND ARTICLE 51 OF THIS TITLE , WHICHEVER
8 IS EARLIER, AND NOT THEREAFTER.

9 **SECTION 25. Effective date.** This act shall take effect upon
10 passage; except that section 2 of this act shall take effect on January 1,
11 2007.

12 **SECTION 26. Safety clause.** The general assembly hereby finds,
13 determines, and declares that this act is necessary for the immediate
14 preservation of the public peace, health, and safety.