

Second Regular Session
Sixty-fifth General Assembly
STATE OF COLORADO

REVISED

*This Version Includes All Amendments Adopted
on Second Reading in the Second House*

LLS NO. 06-1119.01 Nicole Hoffman

SENATE BILL 06-235

SENATE SPONSORSHIP

Sandoval,

HOUSE SPONSORSHIP

Marshall, and Buescher

Senate Committees
State, Veterans & Military Affairs

House Committees
Finance

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.

HOUSE
Amended 2nd Reading
May 4, 2006

SENATE
3rd Reading Unamended
April 28, 2006

SENATE
Amended 2nd Reading
April 27, 2006

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 FIFTEEN 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 UNTIL, ON OR AFTER JANUARY 1, 2007, ONE OF THOSE
7 TRUSTEE POSITIONS, UNLESS IT IS THE SOLE POSITION HELD BY AN
8 EMPLOYEE OF A STATE INSTITUTION OF HIGHER EDUCATION, IS VACATED
9 AND THEREAFTER THERE SHALL BE THREE MEMBERS OF THE STATE
10 DIVISION ELECTED BY THE MEMBERS OF THAT DIVISION, AT LEAST ONE OF
11 WHOM SHALL BE AN EMPLOYEE OF A STATE INSTITUTION OF HIGHER
12 EDUCATION AND AT LEAST ONE OF WHOM SHALL NOT BE AN EMPLOYEE OF
13 A STATE INSTITUTION OF HIGHER EDUCATION;

14 (c) FIVE MEMBERS OF THE SCHOOL DIVISION ELECTED BY THE
15 MEMBERS OF THAT DIVISION UNTIL, ON OR AFTER JANUARY 1, 2007, ONE
16 OF THOSE TRUSTEE POSITIONS IS VACATED AND THEREAFTER THERE SHALL
17 BE FOUR MEMBERS OF THE SCHOOL DIVISION ELECTED BY THE MEMBERS OF
18 THAT DIVISION;

19 (d) TWO MEMBERS OF THE LOCAL GOVERNMENT DIVISION ELECTED
20 BY THE MEMBERS OF THAT DIVISION UNTIL, ON OR AFTER JANUARY 1,
21 2007, ONE OF THOSE TRUSTEE POSITIONS IS VACATED AND THEREAFTER
22 THERE SHALL BE ONE MEMBER OF THE LOCAL GOVERNMENT DIVISION
23 ELECTED BY THE MEMBERS OF THAT DIVISION;

24 (e) ONE MEMBER OF THE JUDICIAL DIVISION ELECTED BY THE
25 MEMBERS OF THAT DIVISION;

26 (f) TWO RETIREES, ONE OF WHOM SHALL BE ELECTED BY THOSE
27 MEMBERS WHO HAVE RETIRED FROM THE LOCAL GOVERNMENT DIVISION,

1 THE JUDICIAL DIVISION, OR FROM THE STATE DIVISION AND ONE OF WHOM
2 SHALL BE ELECTED BY THOSE MEMBERS WHO HAVE RETIRED FROM THE
3 LOCAL GOVERNMENT DIVISION, THE JUDICIAL DIVISION, OR THE SCHOOL
4 DIVISION; EXCEPT THAT BOTH RETIREE TRUSTEES CANNOT HAVE RETIRED
5 FROM THE SAME DIVISION; AND

6 (g) THREE TRUSTEES APPOINTED BY THE GOVERNOR AND
7 CONFIRMED BY THE SENATE WHO SHALL NOT BE MEMBERS, INACTIVE
8 MEMBERS, OR RETIREES OF THE ASSOCIATION AND WHO SHALL HAVE
9 SIGNIFICANT EXPERIENCE AND COMPETENCE IN INVESTMENT
10 MANAGEMENT, FINANCE, BANKING, ECONOMICS, ACCOUNTING, PENSION
11 ADMINISTRATION, OR ACTUARIAL ANALYSIS. OF THE THREE TRUSTEES
12 APPOINTED BY THE GOVERNOR, NO MORE THAN TWO SHALL BE FROM THE
13 SAME POLITICAL PARTY.

14 (2) THE BOARD SHALL SET THE TIME AND MANNER FOR THE
15 ELECTIONS OF TRUSTEES REPRESENTING MEMBERS AND RETIREES.
16 ELECTED TRUSTEES MAY BE REELECTED TO THE BOARD FOR AN UNLIMITED
17 NUMBER OF TERMS BUT, EXCEPT FOR THE STATE TREASURER, NO TERM FOR
18 ANY TRUSTEE SHALL EXCEED FOUR YEARS.

19 (3) THE TERM FOR EACH OF THE INITIAL THREE APPOINTED
20 TRUSTEES SHALL BE DETERMINED BY THE GOVERNOR AND SHALL BE
21 STAGGERED WITH A ONE-YEAR TERM, A TWO-YEAR TERM, AND A
22 THREE-YEAR TERM WITH NO TRUSTEE ASSIGNED THE SAME TERM LENGTH.

23 AFTER EACH OF THE INITIAL TERMS CONCLUDE, THE TERM FOR
24 APPOINTED TRUSTEES SHALL BE FOUR YEARS. APPOINTED TRUSTEES MAY
25 BE REAPPOINTED TO THE BOARD FOR AN UNLIMITED NUMBER OF TERMS.

26 (4) WHEN A VACANCY OCCURS ON THE BOARD AMONG THE
27 ELECTED TRUSTEES, THE PERSON WHO RECEIVED THE NEXT HIGHEST

1 NUMBER OF VOTES IN THE MOST RECENT ELECTION OF TRUSTEES SHALL BE
2 APPOINTED TO SERVE AS TRUSTEE UNTIL THE NEXT ELECTION OF
3 TRUSTEES. IF THE PERSON WHO RECEIVED THE NEXT HIGHEST NUMBER OF
4 VOTES IS UNWILLING TO SERVE AS A TRUSTEE OR IF THE TRUSTEE WHO
5 CREATED THE ABSENCE RAN UNOPPOSED, THE BOARD SHALL APPOINT A
6 TRUSTEE. IN EITHER CASE, THE APPOINTED TRUSTEE SHALL BE FROM THE
7 SAME DIVISION AS THE TRUSTEE WHOSE ABSENCE CREATED THE VACANCY.

8 (5) WHEN A VACANCY OCCURS AMONG THE THREE APPOINTED
9 TRUSTEES, THE GOVERNOR SHALL APPOINT, WITH CONSENT OF THE
10 SENATE, A NEW TRUSTEE WITH THE EXPERIENCE AND COMPETENCE
11 SPECIFIED IN PARAGRAPH (g) OF SUBSECTION (1) OF THIS SECTION TO
12 SERVE THE REMAINDER OF ANY UNEXPIRED TERM. SUCH APPOINTEE MAY
13 SERVE ON A TEMPORARY BASIS IF THE GENERAL ASSEMBLY IS NOT IN
14 SESSION WHEN HE OR SHE IS APPOINTED UNTIL THE GENERAL ASSEMBLY IS
15 IN SESSION AND THE SENATE IS ABLE TO CONSENT TO SUCH APPOINTMENT.

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

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

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

27

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

4 **24-51-208. Allocation of moneys.** (2) Within each of the state
5 division, school division, local government division, and judicial division
6 trust funds, the following reserves shall exist:

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

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

9 (2.5) WITHIN EACH OF THE STATE DIVISION, SCHOOL DIVISION,
10 LOCAL GOVERNMENT DIVISION, AND JUDICIAL DIVISION TRUST FUNDS, AN
11 ANNUAL INCREASE RESERVE SHALL EXIST ON AND AFTER JANUARY 1,
12 2007.

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

15 **24-51-211. Amortization of liabilities.** An amortization period
16 for each of the state division, school division, local government division,
17 and judicial division trust funds shall be calculated separately. A
18 maximum amortization period of ~~forty~~ THIRTY years shall be deemed
19 actuarially sound. Upon recommendation of the board, and with the
20 advice of the actuary, the employer or member contribution rates for the
21 plan may be adjusted by the general assembly when indicated by actuarial
22 experience.

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

25 **24-51-401. Employer and member contributions.**
26 (1.7) (a) Employers shall deliver a contribution report and the full
27 amount of employer and member contributions to the association within

1 five days after the date members and retirees are paid. Except as
 2 provided in ~~subsections (1.8) and (7)~~ SUBSECTION (7) of this section and
 3 sections 22-64-220 (4) (j), C.R.S., and 24-51-408.5, such contributions
 4 shall be based upon the rates for the appropriate division as set forth in
 5 the following table multiplied by the salary, as defined in section
 6 24-51-101 (42), paid to members and retirees for the payroll period:

7 **TABLE A**

8 **CONTRIBUTION RATES**

9 Division	Membership	Employer Rate	Member Rate
10 State	All Members	10.15%	8.0%
	Except		
	State Troopers	12.85%	10.0%
13 School	All Members		
	1/1/2006 through		
	12/31/2012	10.15%	8.0%
	1/1/2013 and		
	thereafter	10.55%	8.0%
18 Local			
19 Government	All Members	10.0%	8.0%
20 Judicial	All Members	13.66%	8.0%

21 ~~(1.8) If the actuarial value of assets exceeds one hundred ten~~
 22 ~~percent of the actuarial accrued liabilities in any division, as determined~~
 23 ~~by the association's actuary, the division shall be considered overfunded,~~
 24 ~~and employer contribution rates shall be reduced as provided in section~~
 25 ~~24-51-408.5 (5).~~

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

1 **24-51-402. Unpaid contributions for any member - legislative**
2 **declaration.** (3) If an employer fails to provide membership in the
3 association to an individual so entitled pursuant to the provisions of this
4 article or fails to provide the required level of employer contributions for
5 an individual pursuant to the provisions of this article, the following
6 payment shall be made to the association:

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

1 INTEREST RATE IS FROM TIME TO TIME ADJUSTED, UNTIL SUCH
2 CONTRIBUTIONS ARE PAID.

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

6 (A) For a member, the cost to purchase the appropriate amount of
7 service credit at the rate established pursuant to section 24-51-505, PLUS
8 THE AMORTIZATION EQUALIZATION DISBURSEMENT IN EFFECT PURSUANT
9 TO SECTION 24-51-411 FOR THE PERIOD CONTRIBUTIONS SHOULD HAVE
10 BEEN MADE; and, for an inactive member, the cost to purchase the
11 appropriate amount of service credit at the rate established pursuant to
12 section 24-51-505, based upon the salary at the date of last employment,
13 PLUS THE AMORTIZATION EQUALIZATION DISBURSEMENT THAT SHOULD
14 HAVE BEEN MADE, plus interest at the applicable actuarial investment
15 assumption rate, as such interest rate is from time to time adjusted, from
16 the date of last employment until the date contributions are paid; or

17 (B) The unpaid employer and member contributions AND
18 AMORTIZATION EQUALIZATION DISBURSEMENT for the period contributions
19 should have been made, plus interest on such employer and member
20 contributions AND THE AMORTIZATION EQUALIZATION DISBURSEMENT at
21 the applicable actuarial investment assumption rate, as such interest rate
22 is from time to time adjusted, until such contributions are paid.

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

26 (A) The employer shall first pay the unpaid employer
27 contributions AND AMORTIZATION EQUALIZATION DISBURSEMENT on

1 behalf of the member or inactive member for the period contributions
2 should have been made, plus interest on such employer contributions AND
3 AMORTIZATION EQUALIZATION DISBURSEMENT at the applicable actuarial
4 investment assumption rate, as such interest rate is from time to time
5 adjusted, until such contributions are paid;

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

9 **24-51-405. Refund of the member contribution account.**

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

19 (9) AN INDIVIDUAL WHO REFUNDED HIS OR HER MEMBER
20 CONTRIBUTION ACCOUNT PURSUANT TO THIS SECTION AND AGAIN
21 COMMENCES MEMBERSHIP ON OR AFTER JANUARY 1, 2007, WHETHER OR
22 NOT THE INDIVIDUAL PURCHASES ALL OR PART OF THE PERIOD ASSOCIATED
23 WITH THE REFUNDED MEMBER CONTRIBUTION ACCOUNT, SHALL NOT HAVE
24 ANY RIGHTS ASSOCIATED WITH MEMBERSHIP PRIOR TO JANUARY 1, 2007,
25 EXCEPT AS MANDATED BY FEDERAL LAW, AND SUCH INDIVIDUAL SHALL
26 NOT BE CONSIDERED TO HAVE BEEN A MEMBER, INACTIVE MEMBER OR
27 RETIREE ON DECEMBER 31, 2006.

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

3 **24-51-411. Amortization equalization disbursement - repeal.**

4 (1) Beginning January 1, 2006, each employer shall deliver to the
5 association an amortization equalization disbursement AND, BEGINNING
6 JANUARY 1, 2008, A SUPPLEMENTAL AMORTIZATION EQUALIZATION
7 DISBURSEMENT pursuant to the same procedures specified for employer
8 contributions in section 24-51-401 (1.7). ~~The disbursement shall be~~
9 ~~subject to available appropriation as determined by the general assembly.~~
10 ~~Any such appropriation shall be identified in a separate line item for each~~
11 ~~department of state government.~~

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

26 (3) ~~The total of the amortization equalization disbursement shall~~
27 ~~not exceed three percent of the employer's total payroll for any calendar~~

1 year. ~~In the event that the association's actuary determines that the~~
2 ~~amortization period of the liabilities in the division is in compliance with~~
3 ~~section 24-51-211, then the amount of the amortization equalization~~
4 ~~disbursement for that division shall be reduced for the following calendar~~
5 ~~year to the percentage of total payroll needed to meet the standard in~~
6 ~~section 24-51-211.~~

7 (3.2) FOR THE CALENDAR YEAR BEGINNING JANUARY 1, 2008, THE
8 SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT SHALL BE
9 ONE-HALF OF ONE PERCENT OF THE EMPLOYER'S TOTAL PAYROLL. THE
10 SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT SHALL
11 INCREASE BY ONE-HALF OF ONE PERCENT OF TOTAL PAYROLL ON JANUARY
12 1 OF EACH YEAR FOLLOWING 2008 THROUGH 2013. FOR PURPOSES OF THIS
13 SECTION, THE EMPLOYER'S TOTAL PAYROLL SHALL BE CALCULATED BY
14 APPLYING THE DEFINITION OF SALARY, PURSUANT TO SECTION 24-51-101
15 (42), TO THE PAYROLL FOR ALL EMPLOYEES WORKING FOR THE EMPLOYER
16 WHO ARE MEMBERS OF THE ASSOCIATION, OR WHO WERE ELIGIBLE TO
17 ELECT TO BECOME MEMBERS OF THE ASSOCIATION ON OR AFTER JANUARY
18 1, 2006, INCLUDING ANY AMOUNTS PAID IN CONNECTION WITH THE
19 EMPLOYMENT OF A RETIREE BY AN EMPLOYER PURSUANT TO SECTION
20 24-51-1101 (2).

21 (3.5) THE AMORTIZATION EQUALIZATION DISBURSEMENT AND THE
22 SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT PAYMENTS
23 BY ALL DIVISIONS SHALL CONTINUE UNTIL ADJUSTED PURSUANT TO THIS
24 SUBSECTION (3.5). WHEN THE ACTUARIAL FUNDED RATIO OF A
25 PARTICULAR DIVISION OF THE ASSOCIATION IS ONE HUNDRED PERCENT AS
26 DETERMINED IN THE ANNUAL ACTUARIAL STUDY OF THE ASSOCIATION, THE
27 ACTUARY SHALL DETERMINE THE AMOUNT BY WHICH THE AMORTIZATION

1 EQUALIZATION DISBURSEMENT AND SUPPLEMENTAL AMORTIZATION
2 EQUALIZATION DISBURSEMENT CAN BE REDUCED, IN EQUAL PARTS, FOR
3 THAT PARTICULAR DIVISION AND STILL MAINTAIN THE ACTUARIAL FUNDED
4 RATIO OF THAT DIVISION AT ONE HUNDRED PERCENT. THE AMORTIZATION
5 EQUALIZATION DISBURSEMENT AND SUPPLEMENTAL AMORTIZATION
6 EQUALIZATION DISBURSEMENT SHALL BE REDUCED FOR THAT DIVISION IN
7 THE AMOUNTS DETERMINED BY THE ACTUARY EFFECTIVE JANUARY 1 OF
8 THE FOLLOWING YEAR. AT SUCH TIME AS A DIVISION IS DETERMINED IN
9 THE ANNUAL ACTUARIAL VALUATION TO HAVE REACHED A THIRTY-YEAR
10 OR LESS AMORTIZATION PERIOD OF ITS UNFUNDED LIABILITIES, THE BOARD
11 SHALL CAUSE TO BE CONDUCTED AN ACTUARIAL STUDY TO ASSESS THE
12 AMORTIZATION EQUALIZATION DISBURSEMENT AND THE SUPPLEMENTAL
13 AMORTIZATION EQUALIZATION DISBURSEMENT AND THE BOARD MAY
14 MAKE APPROPRIATE RECOMMENDATIONS TO THE GENERAL ASSEMBLY.

15 (3.7) FOR STATE EMPLOYERS IN THE STATE DIVISION, FOR THE
16 2007-08 STATE FISCAL YEAR AND FOR EACH FISCAL YEAR THROUGH THE
17 2012-13 STATE FISCAL YEAR, FROM THE AMOUNT OF CHANGES TO STATE
18 EMPLOYEES' SALARIES AND ANY ADJUSTMENTS TO THE ANNUAL GENERAL
19 APPROPRIATION ACT PURSUANT TO SECTION 24-50-104, AN AMOUNT
20 EQUAL TO ONE-HALF OF ONE PERCENT OF TOTAL SALARY SHALL BE
21 DEDUCTED AND SUCH AMOUNT SHALL BE UTILIZED BY THE EMPLOYER TO
22 FUND THE SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT.
23 FOR THE SCHOOL, LOCAL GOVERNMENT, AND JUDICIAL DIVISIONS, AND THE
24 REMAINING EMPLOYERS IN THE STATE DIVISION WHO ARE NOT STATE
25 EMPLOYERS, THE SUPPLEMENTAL AMORTIZATION EQUALIZATION
26 DISBURSEMENT SHALL, TO THE EXTENT PERMITTED BY LAW, BE FUNDED BY
27 ALLOCATION OF FUNDS OTHERWISE AVAILABLE FOR USE AS EMPLOYEE

1 COMPENSATION INCREASES PRIOR TO AWARD AS SALARY OR OTHER
2 COMPENSATION TO EMPLOYEES.

3 (4) Any reduction in the amortization equalization disbursement
4 AND IN THE SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT
5 pursuant to ~~subsection (3)~~ SUBSECTION (3.5) of this section shall be
6 irrevocable. If the ~~entire disbursement becomes~~ DISBURSEMENTS BECOME
7 no longer necessary pursuant to ~~subsection (3)~~ SUBSECTION (3.5) of this
8 section, then the association shall notify the revisor of statutes to repeal
9 this section. MONEYS MADE AVAILABLE DUE TO ANY REDUCTION IN THE
10 SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT PURSUANT
11 TO SUBSECTION (3.5) OF THIS SECTION SHALL, TO THE EXTENT PERMITTED
12 BY LAW, BE ALLOCATED TO EMPLOYEE COMPENSATION INCREASES TO THE
13 EXTENT SUCH SOURCE WAS ORIGINALLY USED BY AN EMPLOYER TO FUND
14 THE SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT.

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

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

19 **24-51-502. Purchased service credit.** (3) SERVICE CREDIT
20 PURCHASED PURSUANT TO THIS PART 5 BY MEMBERS WHO WERE MEMBERS,
21 INACTIVE MEMBERS, OR RETIREES ON DECEMBER 31, 2006, SHALL BE
22 SUBJECT TO THE BENEFIT PROVISIONS IN EFFECT FOR THE EXISTING
23 MEMBER CONTRIBUTION ACCOUNT. SERVICE CREDIT PURCHASED
24 PURSUANT TO THIS PART 5 BY MEMBERS WHO WERE NOT MEMBERS,
25 INACTIVE MEMBERS, OR RETIREES ON DECEMBER 31, 2006, SHALL BE
26 SUBJECT TO THE BENEFIT PROVISIONS IN EFFECT FOR SUCH MEMBER AT THE
27 TIME OF THE INITIATION OF PAYMENT OF THE PURCHASE.

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

4 **24-51-503. Purchase of service credit relating to a refunded**
5 **member contribution account.** (2) FOR MEMBERS WHO WERE
6 MEMBERS, INACTIVE MEMBERS, OR RETIREES ON DECEMBER 31, 2006, the
7 cost to purchase the forfeited service credit shall be the amount refunded
8 plus interest accrued from the date of refund to completion of purchase.

9 (4) FOR MEMBERS WHO WERE NOT MEMBERS, INACTIVE MEMBERS,
10 OR RETIREES ON DECEMBER 31, 2006, THE COST TO PURCHASE THE
11 FORFEITED SERVICE CREDIT SHALL BE THE AMOUNT REFUNDED, PLUS
12 INTEREST ACCRUED FROM THE DATE OF REFUND TO COMPLETION OF
13 PURCHASE, PLUS AN AMOUNT EQUAL TO ONE PERCENT OF THE MEMBER'S
14 HIGHEST AVERAGE SALARY FOR EACH MONTH OR PARTIAL MONTH OF
15 SERVICE CREDIT TO BE PURCHASED. THE HIGHEST AVERAGE SALARY
16 SHALL BE CALCULATED EITHER BASED ON THE SALARY CURRENTLY
17 REFLECTED IN THE MEMBER ACCOUNT OR BY ASSUMING THE MEMBER'S
18 ACCOUNT HAS BEEN CREDITED WITH THE SERVICE CREDIT AND SALARY
19 ASSOCIATED WITH THE FORFEITED SERVICE CREDIT WHICH IS THE SUBJECT
20 OF THE PURCHASE, WHICHEVER IS HIGHER. THE ONE PERCENT OF HIGHEST
21 AVERAGE SALARY FOR EACH MONTH OR PARTIAL MONTH OF SERVICE
22 CREDIT PURCHASED SHALL BE ALLOCATED TO THE ANNUAL INCREASE
23 RESERVE PURSUANT TO PART 10 OF THIS ARTICLE.

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

26 **24-51-505. Purchase of service credit relating to noncovered**
27 **employment.** (3) The cost to purchase service credit for noncovered

1 employment shall be determined by the board AND SHALL BE SUFFICIENT
2 TO PAY THE ACTUARIAL LIABILITY ASSOCIATED WITH THE PURCHASE.

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

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

15 **24-51-602. Service retirement eligibility.**
16 (1) (a.5) Notwithstanding paragraph (a) of this subsection (1), any person
17 except a state trooper who ~~becomes a member on or after July 1, 2005,~~
18 ~~and was not a member, inactive member, or a retiree on July 1, 2005~~ WAS
19 NOT A MEMBER, INACTIVE MEMBER, OR RETIREE ON JUNE 30, 2005, BUT
20 WAS A MEMBER, INACTIVE MEMBER, OR RETIREE ON DECEMBER 31, 2006,
21 shall, upon written application and approval of the board, receive service
22 retirement benefits pursuant to the benefit formula set forth in section
23 24-51-603 (1) (a), (2), and (3) if the member has met the age and service
24 credit requirements stated in the following table:

25 **TABLE B.05**
26 **SERVICE RETIREMENT ELIGIBILITY**
27

Age Requirement	Service Credit Requirement
------------------------	-----------------------------------

1	(years)	(years)
2	Any age	35
3	55	30
4	60	20
5	65	5

6 (a.7) NOTWITHSTANDING PARAGRAPHS (a) AND (a.5) OF THIS
7 SUBSECTION (1), ANY PERSON EXCEPT A STATE TROOPER WHO WAS NOT A
8 MEMBER, INACTIVE MEMBER, OR RETIREE ON DECEMBER 31, 2006, SHALL,
9 UPON WRITTEN APPLICATION AND APPROVAL OF THE BOARD, RECEIVE
10 SERVICE RETIREMENT BENEFITS PURSUANT TO THE BENEFIT FORMULA SET
11 FORTH IN SECTION 24-51-603 (1) (a), (2), AND (3), IF THE MEMBER HAS MET
12 THE AGE AND SERVICE CREDIT REQUIREMENTS STATED IN THE FOLLOWING
13 TABLE:

14 **TABLE B.07**

15 **SERVICE RETIREMENT ELIGIBILITY**

16	AGE REQUIREMENT	SERVICE CREDIT
17		REQUIREMENT
18	(YEARS)	(YEARS)
19	ANY AGE	35
20	55	30
21	60	25
22	65	5

23 (c) Members WHO WERE MEMBERS, INACTIVE MEMBERS, OR
24 RETIREES ON DECEMBER 31, 2006, AND who are fifty-five years of age or
25 older shall, upon written application and approval of the board, receive
26 service retirement benefits pursuant to the benefit formula set forth in
27 section 24-51-603, without reduction pursuant to section 24-51-604, if

1 they have at least five years of service credit and if the number of years
2 of their age plus the number of years of their service credit equals eighty
3 years or more.

4 (d) MEMBERS WHO WERE NOT MEMBERS, INACTIVE MEMBERS OR
5 RETIREES ON DECEMBER 31, 2006, AND WHO ARE FIFTY-FIVE YEARS OF
6 AGE OR OLDER SHALL, UPON WRITTEN APPLICATION AND APPROVAL OF THE
7 BOARD, RECEIVE SERVICE RETIREMENT BENEFITS PURSUANT TO THE
8 BENEFIT FORMULA SET FORTH IN SECTION 24-51-603, WITHOUT REDUCTION
9 PURSUANT TO SECTION 24-51-604, IF THEY HAVE AT LEAST FIVE YEARS OF
10 SERVICE CREDIT AND IF THE NUMBER OF YEARS OF THEIR AGE PLUS THE
11 NUMBER OF YEARS OF THEIR SERVICE CREDIT EQUALS EIGHTY-FIVE YEARS
12 OR MORE.

13 **SECTION 13.** 24-51-605 (1) (b), Colorado Revised Statutes, is
14 amended to read:

15 **24-51-605. Benefit formula for reduced service retirement.**

16 (1) (b) On and after July 1, 1998, for a member who is not a state trooper
17 and who retires upon reaching fifty-five years of age or older but before
18 reaching sixty years of age, a reduced service retirement benefit shall be
19 the option 1 benefit for service retirement, as calculated according to the
20 formula set forth in section 24-51-603, reduced by:

21 (I) Three percent for each year and a proportional percentage for
22 each fraction of a year from the effective date of reduced service
23 retirement to the date the member would have REACHED SIXTY YEARS OF
24 AGE, OR THE DATE THE MEMBER WOULD HAVE become eligible for a
25 service retirement pursuant to the provisions of section 24-51-602 (1), IF
26 EARLIER THAN SIXTY YEARS OF AGE; AND

1 (II) FOUR PERCENT FOR EACH YEAR AND A PROPORTIONAL
2 PERCENTAGE FOR EACH FRACTION OF A YEAR FROM THE DATE THE
3 MEMBER REACHES SIXTY YEARS OF AGE TO THE DATE THE MEMBER WOULD
4 HAVE BECOME ELIGIBLE FOR A SERVICE RETIREMENT PURSUANT TO THE
5 PROVISIONS OF SECTION 24-51-602 (1), IF ON SUCH DATE THE MEMBER
6 WOULD HAVE BEEN OLDER THAN SIXTY YEARS OF AGE.

7 **SECTION 14.** 24-51-606 (1), Colorado Revised Statutes, is
8 amended, and the said 24-51-606 is further amended BY THE
9 ADDITION OF A NEW SUBSECTION, to read:

10 **24-51-606. Vested inactive member rights.** (1) Any member
11 WHO WAS A MEMBER, INACTIVE MEMBER, OR RETIREE ON DECEMBER 31,
12 2006, who has earned at least five years of service credit and who
13 terminates membership and does not elect to receive a refund pursuant to
14 the provisions of section 24-51-405 shall be eligible for a benefit to
15 become effective upon reaching the age specified in table B in section
16 24-51-602 for a service retirement or in table C in section 24-51-604 for
17 a reduced service retirement.

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

1 A MEMBER WHO APPLIES FOR RETIREMENT WITHIN NINETY DAYS AFTER
2 THE MEMBER ATTAINS AGE AND SERVICE ELIGIBILITY, THE EFFECTIVE DATE
3 OF RETIREMENT SHALL BE THE DATE THE MEMBER ATTAINS SUCH AGE AND
4 SERVICE ELIGIBILITY.

5 **SECTION 15.** 24-51-606.5, Colorado Revised Statutes, is
6 amended to read:

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

16 **SECTION 16.** Part 6 of article 51 of title 24, Colorado Revised
17 Statutes, is amended BY THE ADDITION OF A NEW SECTION to
18 read:

19 **24-51-615. Distribution of benefits.** DISTRIBUTION OF BENEFITS
20 FROM EACH DIVISION TRUST FUND SHALL BE MADE IN ACCORDANCE WITH
21 SECTION 401(a)(9) OF THE FEDERAL "INTERNAL REVENUE CODE OF 1986",
22 AS AMENDED, INCLUDING THE INCIDENTAL DEATH BENEFIT REQUIREMENT
23 IN SECTION 401 (a) (9) (G), AND THE APPLICABLE TREASURY REGULATIONS
24 AND INTERNAL REVENUE SERVICE RULINGS AND OTHER INTERPRETATIONS
25 ISSUED THEREUNDER, INCLUDING TREASURY REGULATIONS SECTIONS
26 1.401 (a) (9)-2 TO 1.401 (a) (9)-9. THE PROVISIONS OF THIS SECTION SHALL
27 OVERRIDE ANY DISTRIBUTION OPTIONS THAT ARE INCONSISTENT WITH

1 SECTION 401 (a) (9) OF THE FEDERAL "INTERNAL REVENUE CODE OF
2 1986", AS AMENDED, TO THE EXTENT THAT THOSE DISTRIBUTION OPTIONS
3 ARE NOT GRANDFATHERED UNDER TREASURY REGULATIONS SECTION
4 1.401 (a) (9)-6.

5 **SECTION 17.** 24-51-803 (1), Colorado Revised Statutes, is
6 amended to read:

7 **24-51-803. Determination of option 2 or 3 benefits.** (1) For
8 service retirement, the calculation of benefits payable pursuant to option
9 2 or 3, as set forth in section 24-51-801, shall be actuarially determined
10 as of the date the retiree ~~first became eligible~~ ATTAINED THE AGE AND
11 SERVICE REQUIREMENTS for service retirement regardless of the effective
12 date of such retirement.

13 **SECTION 18.** 24-51-1001 (1), Colorado Revised Statutes, is
14 amended, and the said 24-51-1001 is further amended BY THE
15 ADDITION OF A NEW SUBSECTION, to read:

16 **24-51-1001. Types of benefit increases.** (1) FOR BENEFIT
17 RECIPIENTS WHOSE BENEFITS ARE BASED ON THE ACCOUNT OF A MEMBER
18 WHO WAS A MEMBER, INACTIVE MEMBER, OR RETIREE ON DECEMBER 31,
19 2006, annual increases in retirement benefits and survivor benefits shall
20 occur on March 1 if said benefits have been paid for at least three months
21 preceding March 1. Such increases in benefits shall be calculated in
22 accordance with the provisions of sections 24-51-1002 and 24-51-1003
23 and shall be paid from the division trust funds.

24 (3) FOR BENEFIT RECIPIENTS WHOSE BENEFITS ARE BASED ON THE
25 ACCOUNT OF A MEMBER WHO WAS NOT A MEMBER, INACTIVE MEMBER, OR
26 RETIREE ON DECEMBER 31, 2006, ANNUAL INCREASES IN RETIREMENT
27 BENEFITS AND SURVIVOR BENEFITS, IF ANY, SHALL BE EFFECTIVE WITH THE

1 JULY BENEFIT IN ACCORDANCE WITH THE PROVISIONS OF SECTION
2 24-51-1009 AND SHALL BE PAID FROM THE RETIREMENT BENEFITS
3 RESERVE OR THE SURVIVOR BENEFITS RESERVE, AS APPROPRIATE, SO LONG
4 AS THE FOLLOWING REQUIREMENTS ARE SATISFIED:

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

7 (b) THE RETIREE RETIRED WITH A SERVICE RETIREMENT BENEFIT
8 PURSUANT TO SECTION 24-51-602, OR RETIRED WITH A REDUCED SERVICE
9 RETIREMENT BENEFIT PURSUANT TO SECTION 24-51-604 BUT HAS, AS OF
10 JANUARY 1, ATTAINED THE AGE AND SERVICE CREDIT YEARS THAT WHEN
11 COMBINED TOTAL AT LEAST EIGHTY-FIVE YEARS, OR RETIRED WITH A
12 REDUCED SERVICE RETIREMENT BENEFIT PURSUANT TO SECTION 24-51-604
13 BUT HAS, AS OF JANUARY 1, ATTAINED THE AGE OF SIXTY. NO MINIMUM
14 AGE OR SERVICE CREDIT REQUIREMENT SHALL APPLY TO DISABILITY
15 RETIREES OR SURVIVOR BENEFIT RECIPIENTS.

16 **SECTION 19.** 24-51-1002 (1), (1) (a.5) (I), and (1) (a.5) (II),
17 Colorado Revised Statutes, are amended, and the said 24-51-1002 is
18 further amended BY THE ADDITION OF A NEW SUBSECTION, to
19 read:

20 **24-51-1002. Annual percentages to be used.** (1) FOR BENEFIT
21 RECIPIENTS WHOSE BENEFITS ARE BASED ON THE ACCOUNT OF A MEMBER
22 WHO WAS A MEMBER, INACTIVE MEMBER, OR RETIREE ON DECEMBER 31,
23 2006, the cumulative increase applied to benefits paid shall be
24 recalculated annually as of March 1 and shall be the total percent derived
25 by multiplying three and one-half percent, compounded annually, times
26 the number of years such benefit has been effective after March 1, 2000.
27 Benefits for vested inactive members with at least twenty-five years of

1 service credit and benefits for survivors of deceased vested inactive
2 members who had at least twenty-five years of service credit shall be
3 increased by the annual increase specified in sections 24-51-1001 to
4 24-51-1003 under prior law from the date of termination of membership
5 or July 1, 1993, whichever is later, to March 1, 2000, or the date benefits
6 commence, whichever is earlier.

7 (a.5) (I) Notwithstanding subsection (1) of this section, the
8 increase applied to benefits of persons ~~who become members on or after~~
9 ~~July 1, 2005, and were not members, inactive members, or retirees on July~~
10 ~~1, 2005,~~ WHOSE BENEFITS ARE BASED ON THE ACCOUNT OF A MEMBER
11 WHO WAS NOT A MEMBER, INACTIVE MEMBER, OR RETIREE ON JUNE 30,
12 2005, BUT WAS A MEMBER, INACTIVE MEMBER, OR RETIREE ON DECEMBER
13 31, 2006, shall be the lesser of three percent or the actual increase, as
14 calculated by the United States department of labor, in the national
15 consumer price index for urban wage earners and clerical workers during
16 the calendar year preceding the increase in the benefit. The increase
17 applied to such benefits shall be recalculated annually as of March 1, and
18 shall be the compounded annual percentage of the annual increases
19 applied to such benefits. If the benefit has not been paid during all twelve
20 months of the calendar year preceding March 1, then the annual increase
21 shall be prorated.

22 (II) Benefits for vested inactive members WHO WERE NOT
23 MEMBERS, INACTIVE MEMBERS, OR RETIREEES ON JUNE 30, 2005, BUT WERE
24 MEMBERS, INACTIVE MEMBERS, OR RETIREEES ON DECEMBER 31, 2006, with
25 at least twenty-five years of service credit, ~~who become members on or~~
26 ~~after July 1, 2005, and were not members, inactive members, or retirees~~
27 ~~on July 1, 2005,~~ as well as benefits for survivors of such deceased vested

1 inactive members who had at least twenty-five years of service credit
2 shall be increased by the annual increase specified in sections 24-51-1001
3 and 24-51-1003 and subparagraph (I) of this paragraph (a.5), from the
4 date of termination of membership to the date benefits commence.

5 (3) NOTWITHSTANDING THE PROVISIONS OF SUBSECTION (1) OF
6 THIS SECTION AND OF PARAGRAPH (a.5) OF SUBSECTION (1) OF THIS
7 SECTION, THE INCREASE, IF ANY, APPLIED TO THE BENEFITS OF PERSONS
8 WHOSE BENEFITS ARE BASED ON THE ACCOUNT OF A MEMBER WHO WAS
9 NOT A MEMBER, INACTIVE MEMBER, OR RETIREE ON DECEMBER 31, 2006,
10 WILL BE CALCULATED AND PAID IN ACCORDANCE WITH SECTION
11 24-51-1009.

12 **SECTION 20.** Part 10 of article 51 of title 24, Colorado Revised
13 Statutes, is amended BY THE ADDITION OF THE FOLLOWING NEW
14 SECTIONS to read:

15 **24-51-1009. Annual increase reserve - creation.** (1) EACH
16 YEAR PRIOR TO THE EFFECTIVE DATE OF AN ANNUAL INCREASE, THE BOARD
17 SHALL DETERMINE THE AMOUNT OF THE ANNUAL INCREASE TO BE PAID, IF
18 ANY. IN NO EVENT SHALL THE BOARD AWARD AN ANNUAL INCREASE TO
19 ANY DIVISION THAT EXCEEDS THE AMOUNT PROVIDED FOR IN THIS
20 SECTION.

21 (2) THE MAXIMUM ANNUAL INCREASE THAT MAY BE AWARDED BY
22 THE BOARD PURSUANT TO SECTION 24-51-1001 (3), SHALL BE DETERMINED
23 BASED ON ANNUAL ACTUARIAL VALUATIONS OF THE ANNUAL INCREASE
24 RESERVE OF EACH DIVISION. EACH YEAR AFTER THE BOARD DETERMINES
25 THE ANNUAL INCREASE AMOUNT, AND PRIOR TO ITS EFFECTIVE DATE, A
26 SUM EQUAL TO THE NET PRESENT VALUE OF THE TOTAL ACTUARIAL COST
27 OF PAYING THE ANNUAL INCREASE TO ALL ELIGIBLE RECIPIENTS SHALL BE

1 REALLOCATED FROM THE ANNUAL INCREASE RESERVES OF EACH DIVISION
2 TO THE RETIREMENT BENEFITS RESERVE OR THE SURVIVOR BENEFITS
3 RESERVE, AS APPROPRIATE. ALL ANNUAL INCREASE PAYMENTS SHALL BE
4 MADE FROM THE RESERVES USED FOR MONTHLY BENEFIT PAYMENTS AND
5 NO ANNUAL INCREASE PAYMENTS SHALL BE MADE FROM THE ANNUAL
6 INCREASE RESERVE.

7 (3) THE ANNUAL INCREASE RESERVE OF EACH DIVISION SHALL
8 CONTAIN THE ALLOCATIONS SPECIFIED IN THIS SUBSECTION (3). SUCH
9 AMOUNTS SHALL BE RETAINED IN THE ANNUAL INCREASE RESERVE OF
10 EACH DIVISION UNTIL REMOVED FROM THAT RESERVE PURSUANT TO THIS
11 SECTION. THE ALLOCATIONS SHALL BE AS FOLLOWS:

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

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

19 (c) A PROPORTIONAL SHARE OF THE INVESTMENT INCOME EARNED
20 ON THE AMOUNTS SPECIFIED IN PARAGRAPHS (a) AND (b) OF THIS
21 SUBSECTION (3).

22 (4) AN ACTUARIAL VALUATION SHALL BE CONDUCTED EACH YEAR
23 FOR THE ANNUAL INCREASE RESERVE OF EACH DIVISION, FOR THE
24 PURPOSES OF THIS SECTION. THE ACTUARIAL VALUATION SHALL INCLUDE
25 A DETERMINATION OF THE TOTAL MARKET VALUE OF THE ASSETS IN THE
26 RESERVE AND A CALCULATION OF THE NET PRESENT VALUE OF THE
27 ACTUARIAL LIABILITIES ASSOCIATED WITH PROVIDING EACH OF THE

1 ANNUAL INCREASES DESCRIBED IN PARAGRAPHS (a), (b), AND (c) OF THIS
2 SUBSECTION (4). THE MAXIMUM ANNUAL INCREASE AWARDED BY THE
3 BOARD SHALL BE THE LESSER OF THE FOLLOWING CALCULATIONS:

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

7 (b) A PERMANENT INCREASE OF CURRENT BENEFITS PAYABLE TO
8 BENEFIT RECIPIENTS THEN ELIGIBLE FOR AN ANNUAL INCREASE IN
9 ACCORDANCE WITH SECTION 24-51-1001 (3) THAT IS EQUAL TO THE
10 ACTUAL INCREASE, AS CALCULATED BY THE UNITED STATES DEPARTMENT
11 OF LABOR, IN THE NATIONAL CONSUMER PRICE INDEX FOR URBAN WAGE
12 EARNERS AND CLERICAL WORKERS FOR THE YEAR ASSOCIATED WITH THE
13 ACTUARIAL VALUATION OF THE ANNUAL INCREASE RESERVE; OR

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

19 (5) NO CALCULATION MADE PURSUANT TO THIS SECTION SHALL
20 CAUSE A REDUCTION IN CURRENT BENEFITS OF ELIGIBLE BENEFIT
21 RECIPIENTS.

22 **24-51-1010. Increase in benefits - actuarial assessment**
23 **required.** (1) BEFORE INCREASING BENEFITS PROVIDED BY THE
24 ASSOCIATION, THE GENERAL ASSEMBLY SHALL CAUSE TO BE CONDUCTED
25 PURSUANT TO SUBSECTION (2) OF THIS SECTION AN ACTUARIAL
26 ASSESSMENT TO ENSURE THAT THE INCREASES IN BENEFITS WOULD NOT
27 CAUSE THE ACTUARIAL VALUE OF ASSETS OF THE ASSOCIATION TO DECLINE

1 BELOW NINETY PERCENT OF THE ACTUARIAL ACCRUED LIABILITIES OF THE
2 ASSOCIATION.

3 (2) UPON DIRECTION FROM THE PRESIDENT OF THE SENATE AND
4 THE SPEAKER OF THE HOUSE OF REPRESENTATIVES, THE DIRECTOR OF
5 RESEARCH OF THE LEGISLATIVE COUNCIL SHALL CONTRACT WITH A
6 PRIVATE PERSON TO CONDUCT AN ACTUARIAL ASSESSMENT OF THE
7 ASSOCIATION. THE ASSESSMENT SHALL BE CONDUCTED TO DETERMINE
8 WHETHER AND TO WHAT EXTENT AN INCREASE IN THE BENEFITS PROVIDED
9 BY THE ASSOCIATION WOULD CAUSE THE ACTUARIAL VALUE OF THE
10 ASSETS OF THE ASSOCIATION TO DECLINE BELOW NINETY PERCENT OF THE
11 ACTUARIAL ACCRUED LIABILITIES OF THE ASSOCIATION. THE ASSESSMENT
12 SHALL BE COMPLETED AND A FINAL REPORT OF ITS FINDINGS AND
13 CONCLUSIONS SHALL BE SUBMITTED TO THE GENERAL ASSEMBLY AS SOON
14 AS PRACTICABLE. THE PERSON CONDUCTING THE ACTUARIAL ASSESSMENT
15 OF THE ASSOCIATION AND SUCH PERSON'S EMPLOYEES SHALL, DURING THE
16 TERM OF THE CONTRACT, HAVE ACCESS TO ANY NECESSARY DOCUMENTS
17 AND INFORMATION IN THE CUSTODY OF THE ASSOCIATION.

18 **SECTION 21.** 24-51-1101 (2), Colorado Revised Statutes, is
19 amended to read:

20 **24-51-1101. Employment after service retirement.** (2) Salary
21 from the employment, ~~described in subsection (1) of this section~~
22 ENGAGEMENT, RETENTION, OR OTHER USE OF A SERVICE RETIREE IN AN
23 INDIVIDUAL CAPACITY OR OF ANY ENTITY OWNED OR OPERATED BY A
24 SERVICE RETIREE OR AFFILIATED PARTY BY AN EMPLOYER TO PERFORM
25 ANY SERVICE AS AN EMPLOYEE, CONTRACT EMPLOYEE, CONSULTANT,
26 INDEPENDENT CONTRACTOR, OR THROUGH ANY OTHER ARRANGEMENT,
27 shall be subject to employer contributions but shall not be subject to

1 member contributions except as provided in section 24-51-1103. Salary
2 from employment by a retiree who is serving in a state elected official's
3 position shall not be subject to employer contributions.

4 **SECTION 22.** 24-51-1102 (4), Colorado Revised Statutes, is
5 amended to read:

6 **24-51-1102. Reduction of a service retirement benefit -**
7 **disclosure of service agreements by employers - definitions.** (4) For
8 purposes of ~~this part~~ ~~11~~ SUBSECTIONS (1) AND (2) OF THIS SECTION,
9 "employment" ~~of a retiree by an employer~~ means engagement, hiring,
10 retention, or other use of a service retiree in an individual capacity or of
11 any entity owned or operated by a service retiree or affiliated party by an
12 employer to perform any service as an employee, contract employee,
13 consultant, independent contractor, or through any other arrangement
14 SHALL BE DETERMINED BY THE ASSOCIATION CONSISTENT WITH THE
15 INTERNAL REVENUE SERVICE'S GUIDANCE IN REVENUE RULING 87-41, 1987
16 - 1 C.B. 296, AS REVISED FROM TIME TO TIME.

17 **SECTION 23.** 24-51-1503, Colorado Revised Statutes, is
18 amended BY THE ADDITION OF A NEW SUBSECTION to read:

19 **24-51-1503. Defined contribution plan option.** (3) (a) AN
20 ELIGIBLE EMPLOYEE WHO IS A MEMBER, INACTIVE MEMBER, OR RETIREE OF
21 THE DEFINED BENEFIT PLAN ON DECEMBER 31, 2006, AND ELECTS TO
22 PARTICIPATE IN OR IS AUTOMATICALLY ENROLLED IN THE ASSOCIATION'S
23 DEFINED BENEFIT PLAN, OR WHO MAKES AN ELECTION PURSUANT TO
24 SECTION 24-51-1506 (1) TO BECOME A MEMBER OF THE ASSOCIATION'S
25 DEFINED BENEFIT PLAN, SHALL BE SUBJECT TO THE BENEFIT PROVISIONS IN
26 EFFECT FOR THE EXISTING MEMBER CONTRIBUTION ACCOUNT.

27 (b) AN ELIGIBLE EMPLOYEE WHO ELECTS TO PARTICIPATE IN THE

1 ASSOCIATION'S DEFINED CONTRIBUTION PLAN AND IS NOT A MEMBER,
2 INACTIVE MEMBER, OR RETIREE OF THE DEFINED BENEFIT PLAN ON
3 DECEMBER 31, 2005, AND SUBSEQUENTLY BECOMES A MEMBER OF THE
4 ASSOCIATION'S DEFINED BENEFIT PLAN SHALL BE SUBJECT TO THE BENEFIT
5 PROVISIONS IN EFFECT AT THE TIME THE EMPLOYEE BECOMES A MEMBER
6 OF THE ASSOCIATION'S DEFINED BENEFIT PLAN. ANY SERVICE CREDIT
7 PURCHASED FOR THE PERIOD OF EMPLOYMENT COVERED BY THE DEFINED
8 CONTRIBUTION PLAN SHALL BE SUBJECT TO THE BENEFIT PROVISIONS IN
9 EFFECT FOR SUCH MEMBER AT THE TIME OF THE COMMENCEMENT OF THE
10 PURCHASE.

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

14 **24-51-1511. Limitation on actions by eligible employees.**
15 ADMINISTRATIVE ACTIONS OR CIVIL ACTIONS BROUGHT BY EMPLOYEES TO
16 DISPUTE THE ELECTION FOR PARTICIPATION OR FAILURE TO ELECT
17 PARTICIPATION IN THE ASSOCIATION'S DEFINED BENEFIT PLAN, THE
18 ASSOCIATION'S DEFINED CONTRIBUTION PLAN, OR THE DEFINED
19 CONTRIBUTION PLAN ESTABLISHED PURSUANT TO PART 2 OF ARTICLE 52 OF
20 THIS TITLE SHALL COMMENCE WITHIN ONE HUNDRED EIGHTY DAYS AFTER
21 THE ELECTION OR WITHIN ONE HUNDRED EIGHTY DAYS OF THE LAST DAY
22 ON WHICH THE EMPLOYEE MAY MAKE AN ELECTION TO PARTICIPATE IN
23 SUCH PLAN PURSUANT TO THIS ARTICLE AND ARTICLE 52 OF THIS TITLE,
24 WHICHEVER IS EARLIER, AND NOT THEREAFTER.

25

26 **SECTION 25.** Part 2 of article 52 of title 24, Colorado Revised
27 Statutes, is amended BY THE ADDITION OF A NEW SECTION to

1 read:

2 **24-52-209. Limitation of actions by eligible**
3 **employees.** ADMINISTRATIVE ACTIONS OR CIVIL ACTIONS BROUGHT BY
4 EMPLOYEES TO DISPUTE THE ELECTION FOR PARTICIPATION OR FAILURE TO
5 ELECT PARTICIPATION IN THE ASSOCIATION'S DEFINED BENEFIT PLAN, THE
6 ASSOCIATION'S DEFINED CONTRIBUTION PLAN, OR THE DEFINED
7 CONTRIBUTION PLAN CREATED PURSUANT TO THIS PART 2 SHALL
8 COMMENCE WITHIN ONE HUNDRED EIGHTY DAYS AFTER THE ELECTION OR
9 WITHIN ONE HUNDRED EIGHTY DAYS OF THE LAST DAY ON WHICH THE
10 EMPLOYEE MAY MAKE AN ELECTION TO PARTICIPATE IN SUCH PLANS
11 PURSUANT TO THIS ARTICLE AND ARTICLE 51 OF THIS TITLE , WHICHEVER
12 IS EARLIER, AND NOT THEREAFTER.

13 **SECTION 26. Effective date.** This act shall take effect upon
14 passage; except that section 2 of this act shall take effect on January 1,
15 2007.

16 **SECTION 27. Safety clause.** The general assembly hereby finds,
17 determines, and declares that this act is necessary for the immediate
18 preservation of the public peace, health, and safety.