

Second Regular Session  
Sixty-fifth General Assembly  
STATE OF COLORADO

**PREAMENDED**

*This Unofficial Version Includes Committee  
Amendments Not Yet Adopted on Second Reading*

LLS NO. 06-1119.01 Nicole Hoffman

**SENATE BILL 06-235**

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**SENATE SPONSORSHIP**

**Sandoval,**

**HOUSE SPONSORSHIP**

**Marshall,** and Buescher

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**Senate Committees**  
State, Veterans & Military Affairs

**House Committees**  
Finance

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**A BILL FOR AN ACT**

101 **CONCERNING PUBLIC EMPLOYEES' RETIREMENT BENEFIT PLANS.**

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**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.*

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.

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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  | <b>Division</b> | <b>Membership</b> | <b>Employer Rate</b> | <b>Member Rate</b> |
|----|-----------------|-------------------|----------------------|--------------------|
| 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          JANUARY 1, 2008, 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 CALENDAR YEAR BEGINNING JANUARY 1, 2008, 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 JANUARY  
4 1 OF EACH YEAR FOLLOWING 2008 THROUGH 2013. 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                                   **SERVICE RETIREMENT ELIGIBILITY**

| 2 <b>AGE REQUIREMENT</b>    | 3 <b>SERVICE CREDIT</b> |
|-----------------------------|-------------------------|
| 4 <b>(YEARS)</b>            | 4 <b>REQUIREMENT</b>    |
| 5 <b>(YEARS)</b>            | 5 <b>(YEARS)</b>        |
| 6                   ANY AGE | 6                   35  |
| 7                   55      | 7                   30  |
| 8                   60      | 8                   25  |
| 9                   65      | 9                   5   |

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

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

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

1           **24-51-605. Benefit formula for reduced service retirement.**

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

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

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

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

22          **24-51-606. Vested inactive member rights.** (1) Any member  
23          WHO WAS A MEMBER, INACTIVE MEMBER, OR RETIREE ON DECEMBER 31,  
24          2006, who has earned at least five years of service credit and who  
25          terminates membership and does not elect to receive a refund pursuant to  
26          the provisions of section 24-51-405 shall be eligible for a benefit to  
27          become effective upon reaching the age specified in table B in section

1 24-51-602 for a service retirement or in table C in section 24-51-604 for  
2 a reduced service retirement.

3 (1.5) ANY MEMBER WHO WAS NOT A MEMBER, INACTIVE MEMBER,  
4 OR RETIREE ON DECEMBER 31, 2006, WHO HAS EARNED AT LEAST FIVE  
5 YEARS OF SERVICE CREDIT AND WHO TERMINATES MEMBERSHIP AND DOES  
6 NOT ELECT TO RECEIVE A REFUND PURSUANT TO THE PROVISIONS OF  
7 SECTION 24-51-405 SHALL BE ELIGIBLE FOR A BENEFIT TO BECOME  
8 EFFECTIVE UPON WRITTEN APPLICATION AND APPROVAL BY THE BOARD  
9 AND UPON REACHING THE AGE SPECIFIED IN TABLE B.05, B.07, OR B.1 OF  
10 SECTION 24-51-602, AS APPLICABLE, FOR A SERVICE RETIREMENT OR IN  
11 TABLE C OF SECTION 24-51-604 FOR A REDUCED SERVICE RETIREMENT.  
12 NOTWITHSTANDING THE PROVISIONS OF THIS SUBSECTION (1.5), FOR SUCH  
13 A MEMBER WHO APPLIES FOR RETIREMENT WITHIN NINETY DAYS AFTER  
14 THE MEMBER ATTAINS AGE AND SERVICE ELIGIBILITY, THE EFFECTIVE DATE  
15 OF RETIREMENT SHALL BE THE DATE THE MEMBER ATTAINS SUCH AGE AND  
16 SERVICE ELIGIBILITY.

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

19 **24-51-606.5. Indexation of benefits for vested inactive**  
20 **members.** A vested inactive member WHO WAS A MEMBER OR INACTIVE  
21 MEMBER ON DECEMBER 31, 2006, who has at least twenty-five years of  
22 service credit prior to terminating membership shall be eligible, upon  
23 retirement, for a benefit, as calculated pursuant to the provisions of  
24 section 24-51-603 or 24-51-605, which has been increased by the annual  
25 increase specified in sections 24-51-1001 to 24-51-1003, from the date of  
26 termination of membership or July 1, 1993, whichever is later, to the  
27 effective date of retirement.

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

4           **24-51-615. Distribution of benefits.** DISTRIBUTION OF BENEFITS  
5 FROM EACH DIVISION TRUST FUND SHALL BE MADE IN ACCORDANCE WITH  
6 SECTION 401(a)(9) OF THE FEDERAL "INTERNAL REVENUE CODE OF 1986",  
7 AS AMENDED, INCLUDING THE INCIDENTAL DEATH BENEFIT REQUIREMENT  
8 IN SECTION 401 (a) (9) (G), AND THE APPLICABLE TREASURY REGULATIONS  
9 AND INTERNAL REVENUE SERVICE RULINGS AND OTHER INTERPRETATIONS  
10 ISSUED THEREUNDER, INCLUDING TREASURY REGULATIONS SECTIONS  
11 1.401 (a) (9)-2 TO 1.401 (a) (9)-9. THE PROVISIONS OF THIS SECTION SHALL  
12 OVERRIDE ANY DISTRIBUTION OPTIONS THAT ARE INCONSISTENT WITH  
13 SECTION 401 (a) (9) OF THE FEDERAL "INTERNAL REVENUE CODE OF  
14 1986", AS AMENDED, TO THE EXTENT THAT THOSE DISTRIBUTION OPTIONS  
15 ARE NOT GRANDFATHERED UNDER TREASURY REGULATIONS SECTION  
16 1.401 (a) (9)-6.

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

19           **24-51-803. Determination of option 2 or 3 benefits.** (1) For  
20 service retirement, the calculation of benefits payable pursuant to option  
21 2 or 3, as set forth in section 24-51-801, shall be actuarially determined  
22 as of the date the retiree ~~first became eligible~~ ATTAINED THE AGE AND  
23 SERVICE REQUIREMENTS for service retirement regardless of the effective  
24 date of such retirement.

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

1           **24-51-1001. Types of benefit increases.** (1) FOR BENEFIT  
2 RECIPIENTS WHOSE BENEFITS ARE BASED ON THE ACCOUNT OF A MEMBER  
3 WHO WAS A MEMBER, INACTIVE MEMBER, OR RETIREE ON DECEMBER 31,  
4 2006, annual increases in retirement benefits and survivor benefits shall  
5 occur on March 1 if said benefits have been paid for at least three months  
6 preceding March 1. Such increases in benefits shall be calculated in  
7 accordance with the provisions of sections 24-51-1002 and 24-51-1003  
8 and shall be paid from the division trust funds.

9           (3) FOR BENEFIT RECIPIENTS WHOSE BENEFITS ARE BASED ON THE  
10 ACCOUNT OF A MEMBER WHO WAS NOT A MEMBER, INACTIVE MEMBER, OR  
11 RETIREE ON DECEMBER 31, 2006, ANNUAL INCREASES IN RETIREMENT  
12 BENEFITS AND SURVIVOR BENEFITS, IF ANY, SHALL BE EFFECTIVE WITH THE  
13 JULY BENEFIT IN ACCORDANCE WITH THE PROVISIONS OF SECTION  
14 **24-51-1009** AND SHALL BE PAID FROM THE RETIREMENT BENEFITS  
15 RESERVE OR THE SURVIVOR BENEFITS RESERVE, AS APPROPRIATE, SO LONG  
16 AS THE FOLLOWING REQUIREMENTS ARE SATISFIED:

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

19           **(b) THE RETIREE RETIRED WITH A SERVICE RETIREMENT BENEFIT**  
20 **PURSUANT TO SECTION 24-51-602, OR RETIRED WITH A REDUCED SERVICE**  
21 **RETIREMENT BENEFIT PURSUANT TO SECTION 24-51-604 BUT HAS, AS OF**  
22 **JANUARY 1, ATTAINED THE AGE AND SERVICE CREDIT YEARS THAT WHEN**  
23 **COMBINED TOTAL AT LEAST EIGHTY-FIVE YEARS, OR RETIRED WITH A**  
24 **REDUCED SERVICE RETIREMENT BENEFIT PURSUANT TO SECTION 24-51-604**  
25 **BUT HAS, AS OF JANUARY 1, ATTAINED THE AGE OF SIXTY. NO MINIMUM**  
26 **AGE OR SERVICE CREDIT REQUIREMENT SHALL APPLY TO DISABILITY**  
27 **RETIRES OR SURVIVOR BENEFIT RECIPIENTS.**

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

5           **24-51-1002. Annual percentages to be used.** (1) FOR BENEFIT  
6 RECIPIENTS WHOSE BENEFITS ARE BASED ON THE ACCOUNT OF A MEMBER  
7 WHO WAS A MEMBER, INACTIVE MEMBER, OR RETIREE ON DECEMBER 31,  
8 2006, the cumulative increase applied to benefits paid shall be  
9 recalculated annually as of March 1 and shall be the total percent derived  
10 by multiplying three and one-half percent, compounded annually, times  
11 the number of years such benefit has been effective after March 1, 2000.  
12 Benefits for vested inactive members with at least twenty-five years of  
13 service credit and benefits for survivors of deceased vested inactive  
14 members who had at least twenty-five years of service credit shall be  
15 increased by the annual increase specified in sections 24-51-1001 to  
16 24-51-1003 under prior law from the date of termination of membership  
17 or July 1, 1993, whichever is later, to March 1, 2000, or the date benefits  
18 commence, whichever is earlier.

19           (a.5) (I) Notwithstanding subsection (1) of this section, the  
20 increase applied to benefits of persons ~~who become members on or after~~  
21 ~~July 1, 2005, and were not members, inactive members, or retirees on July~~  
22 ~~1, 2005,~~ WHOSE BENEFITS ARE BASED ON THE ACCOUNT OF A MEMBER  
23 WHO WAS NOT A MEMBER, INACTIVE MEMBER, OR RETIREE ON JUNE 30,  
24 2005, BUT WAS A MEMBER, INACTIVE MEMBER, OR RETIREE ON DECEMBER  
25 31, 2006, shall be the lesser of three percent or the actual increase, as  
26 calculated by the United States department of labor, in the national  
27 consumer price index for urban wage earners and clerical workers during

1 the calendar year preceding the increase in the benefit. The increase  
2 applied to such benefits shall be recalculated annually as of March 1, and  
3 shall be the compounded annual percentage of the annual increases  
4 applied to such benefits. If the benefit has not been paid during all twelve  
5 months of the calendar year preceding March 1, then the annual increase  
6 shall be prorated.

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

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

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

27 **24-51-1009. Annual increase reserve - creation.** (1) EACH

1 YEAR PRIOR TO THE EFFECTIVE DATE OF AN ANNUAL INCREASE, THE BOARD  
2 SHALL DETERMINE THE AMOUNT OF THE ANNUAL INCREASE TO BE PAID, IF  
3 ANY. IN NO EVENT SHALL THE BOARD AWARD AN ANNUAL INCREASE TO  
4 ANY DIVISION THAT EXCEEDS THE AMOUNT PROVIDED FOR IN THIS  
5 SECTION.

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

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

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

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

4 (c) A PROPORTIONAL SHARE OF THE INVESTMENT INCOME EARNED  
5 ON THE AMOUNTS SPECIFIED IN PARAGRAPHS (a) AND (b) OF THIS  
6 SUBSECTION (3).

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

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

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

26 (c) A PERMANENT INCREASE OF CURRENT BENEFITS PAYABLE TO  
27 BENEFIT RECIPIENTS THEN ELIGIBLE FOR AN ANNUAL INCREASE IN

1 ACCORDANCE WITH SECTION 24-51-1001 (3) THAT WILL EXHAUST TEN  
2 PERCENT OF THE YEAR END BALANCE AT MARKET VALUE OF THE ANNUAL  
3 INCREASE RESERVE.

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

7 **24-51-1010. Increase in benefits - actuarial assessment**

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

15 (2) UPON DIRECTION FROM THE PRESIDENT OF THE SENATE AND  
16 THE SPEAKER OF THE HOUSE OF REPRESENTATIVES, THE DIRECTOR OF  
17 RESEARCH OF THE LEGISLATIVE COUNCIL SHALL CONTRACT WITH A  
18 PRIVATE PERSON TO CONDUCT AN ACTUARIAL ASSESSMENT OF THE  
19 ASSOCIATION. THE ASSESSMENT SHALL BE CONDUCTED TO DETERMINE  
20 WHETHER AND TO WHAT EXTENT AN INCREASE IN THE BENEFITS PROVIDED  
21 BY THE ASSOCIATION WOULD CAUSE THE ACTUARIAL VALUE OF THE  
22 ASSETS OF THE ASSOCIATION TO DECLINE BELOW NINETY PERCENT OF THE  
23 ACTUARIAL ACCRUED LIABILITIES OF THE ASSOCIATION. THE ASSESSMENT  
24 SHALL BE COMPLETED AND A FINAL REPORT OF ITS FINDINGS AND  
25 CONCLUSIONS SHALL BE SUBMITTED TO THE GENERAL ASSEMBLY AS SOON  
26 AS PRACTICABLE. THE PERSON CONDUCTING THE ACTUARIAL ASSESSMENT  
27 OF THE ASSOCIATION AND SUCH PERSON'S EMPLOYEES SHALL, DURING THE

1 TERM OF THE CONTRACT, HAVE ACCESS TO ANY NECESSARY DOCUMENTS  
2 AND INFORMATION IN THE CUSTODY OF THE ASSOCIATION.

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

5 **24-51-1101. Employment after service retirement.** (2) Salary  
6 from the employment, ~~described in subsection (1) of this section~~  
7 ENGAGEMENT, RETENTION, OR OTHER USE OF A SERVICE RETIREE IN AN  
8 INDIVIDUAL CAPACITY OR OF ANY ENTITY OWNED OR OPERATED BY A  
9 SERVICE RETIREE OR AFFILIATED PARTY BY AN EMPLOYER TO PERFORM  
10 ANY SERVICE AS AN EMPLOYEE, CONTRACT EMPLOYEE, CONSULTANT,  
11 INDEPENDENT CONTRACTOR, OR THROUGH ANY OTHER ARRANGEMENT,  
12 shall be subject to employer contributions but shall not be subject to  
13 member contributions except as provided in section 24-51-1103. Salary  
14 from employment by a retiree who is serving in a state elected official's  
15 position shall not be subject to employer contributions.

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

18 **24-51-1102. Reduction of a service retirement benefit -**  
19 **disclosure of service agreements by employers - definitions.** (4) For  
20 purposes of ~~this part~~ ~~11~~ SUBSECTIONS (1) AND (2) OF THIS SECTION,  
21 "employment" ~~of a retiree by an employer~~ means engagement, hiring,  
22 retention, ~~or other use of a service retiree in an individual capacity or of~~  
23 ~~any entity owned or operated by a service retiree or affiliated party by an~~  
24 ~~employer to perform any service as an employee, contract employee,~~  
25 ~~consultant, independent contractor, or through any other arrangement~~  
26 SHALL BE DETERMINED BY THE ASSOCIATION CONSISTENT WITH THE  
27 INTERNAL REVENUE SERVICE'S GUIDANCE IN REVENUE RULING 87-41, 1987

1 - 1 C.B. 296, AS REVISED FROM TIME TO TIME.

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

4 **24-51-1503. Defined contribution plan option.** (3) (a) AN  
5 ELIGIBLE EMPLOYEE WHO IS A MEMBER, INACTIVE MEMBER, OR RETIREE OF  
6 THE DEFINED BENEFIT PLAN ON DECEMBER 31, 2006, AND ELECTS TO  
7 PARTICIPATE IN OR IS AUTOMATICALLY ENROLLED IN THE ASSOCIATION'S  
8 DEFINED BENEFIT PLAN, OR WHO MAKES AN ELECTION PURSUANT TO  
9 SECTION 24-51-1506 (1) TO BECOME A MEMBER OF THE ASSOCIATION'S  
10 DEFINED BENEFIT PLAN, SHALL BE SUBJECT TO THE BENEFIT PROVISIONS IN  
11 EFFECT FOR THE EXISTING MEMBER CONTRIBUTION ACCOUNT.

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

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

26 **24-51-1511. Limitation on actions by eligible employees.**  
27 ADMINISTRATIVE ACTIONS OR CIVIL ACTIONS BROUGHT BY EMPLOYEES TO

1 DISPUTE THE ELECTION FOR PARTICIPATION OR FAILURE TO ELECT  
2 PARTICIPATION IN THE ASSOCIATION'S DEFINED BENEFIT PLAN, THE  
3 ASSOCIATION'S DEFINED CONTRIBUTION PLAN, OR THE DEFINED  
4 CONTRIBUTION PLAN ESTABLISHED PURSUANT TO PART 2 OF ARTICLE 52 OF  
5 THIS TITLE SHALL COMMENCE WITHIN ONE HUNDRED EIGHTY DAYS AFTER  
6 THE ELECTION OR WITHIN ONE HUNDRED EIGHTY DAYS OF THE LAST DAY  
7 ON WHICH THE EMPLOYEE MAY MAKE AN ELECTION TO PARTICIPATE IN  
8 SUCH PLAN PURSUANT TO THIS ARTICLE AND ARTICLE 52 OF THIS TITLE,  
9 WHICHEVER IS EARLIER, AND NOT THEREAFTER.

10

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11 **SECTION 25.** Part 2 of article 52 of title 24, Colorado Revised  
12 Statutes, is amended BY THE ADDITION OF A NEW SECTION to  
13 read:

14 **24-52-209. Limitation of actions by eligible**  
15 **employees.** ADMINISTRATIVE ACTIONS OR CIVIL ACTIONS BROUGHT BY  
16 EMPLOYEES TO DISPUTE THE ELECTION FOR PARTICIPATION OR FAILURE TO  
17 ELECT PARTICIPATION IN THE ASSOCIATION'S DEFINED BENEFIT PLAN, THE  
18 ASSOCIATION'S DEFINED CONTRIBUTION PLAN, OR THE DEFINED  
19 CONTRIBUTION PLAN CREATED PURSUANT TO THIS PART 2 SHALL  
20 COMMENCE WITHIN ONE HUNDRED EIGHTY DAYS AFTER THE ELECTION OR  
21 WITHIN ONE HUNDRED EIGHTY DAYS OF THE LAST DAY ON WHICH THE  
22 EMPLOYEE MAY MAKE AN ELECTION TO PARTICIPATE IN SUCH PLANS  
23 PURSUANT TO THIS ARTICLE AND ARTICLE 51 OF THIS TITLE , WHICHEVER  
24 IS EARLIER, AND NOT THEREAFTER.

25 **SECTION 26. Effective date.** This act shall take effect upon  
26 passage; except that section 2 of this act shall take effect on January 1,  
27 2007.

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