

Second Regular Session
Sixty-fifth General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 06-0821.01 Nicole Hoffman

SENATE BILL 06-174

SENATE SPONSORSHIP

Sandoval,

HOUSE SPONSORSHIP

(None),

Senate Committees
State, Veterans & Military Affairs

House Committees

A BILL FOR AN ACT

101 CONCERNING THE NONCONTRACTUAL PENSION BENEFITS OF PUBLIC
102 EMPLOYEES, AND, IN CONNECTION THEREWITH, MODIFYING, FOR
103 PURPOSES OF THE PUBLIC EMPLOYEES' RETIREMENT
104 ASSOCIATION, THE CURRENT DEFINITION OF SALARY, THE
105 HIGHEST AVERAGE SALARY CALCULATION, THE HEALTH CARE
106 SUBSIDY, AND THE MEMBER AND EMPLOYER CONTRIBUTION
107 PROCESS.

Bill Summary

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

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.

Divides state employees who are members or who become members (members) of the public employees' retirement association (PERA) into 2 groups of benefit recipients, based on the date on which the employee commenced employment with a PERA affiliated employer as follows:

An employee who becomes a member before January 1, 2007, is a pioneer member (pioneer member) of PERA; and
An employee who becomes a member on or after January 1, 2007, is a centennial member (centennial member) of PERA.

For a pioneer member who has an effective date of retirement on or after January 1, 2009, limits the permissible salary increase that may be included for each of the 3 years used in the calculation of highest average salary.

Specifies that the retirement benefits for centennial members of PERA shall be as follows:

Calculates a centennial member's highest average salary based on the member's highest annual salaries that are associated with 5 periods of 12 consecutive months of service credit.

Limits the permissible salary increase that may be included for each of the 5 years used in the calculation of highest average salary.

Specifies that the centennial member contribution rate is one percent lower than the applicable member contribution rate for pioneer members.

For a service retirement with a single life benefit payable for the life of the centennial member who is retired, specifies that the monthly benefit shall be calculated by multiplying the member's highest average salary by 2.1% times each year and fraction of a year of service credit that the member earned.

Specifies that if an annual increase in retirement benefits occurs for centennial members, 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 the maximum amount of the premium subsidy for a centennial member to participate in PERA's health care program shall be \$115 per month.

Specifies that the member and employer contribution rates for a centennial member who elects to participate in PERA's defined contribution plan shall be the same

member and employer contribution rates for a centennial member who participates in the defined benefit plan.

Specifies the allocations that PERA shall make to the centennial reserves.

Requires PERA to conduct an annual actuarial valuation of the financial and actuarial status of the centennial program. If the actuarial valuation of the centennial program indicates a funded ratio of less than 90%, increases the centennial member and employer contributions by 0.5%. Continues such increases annually until the plan is at least 90% funded, but specifies that such increases shall not exceed 3% for the member contribution and 3% for the employer contribution.

If, after a 3% increase in centennial member contributions and a 3% increase in employer contributions to the plan, the plan still has a funded ratio of less than 90%, directs the PERA board of trustees to submit recommendations to the general assembly to reduce benefits for members who are not eligible to retire.

If, after a 3% increase in centennial member and employer contributions and a reduction in benefits, the funded ratio of the plan is greater than 110%, directs that the member and employer contributions shall be reduced by 0.5%.

States that a portion of the employer contribution shall be allocated to the annual increase reserve to be used only to fund annual increases in benefits. Allows an annual increase in benefits only if the amount in the annual increase reserve is sufficient to fund the net present value of the actuarial liability associated with the increase.

Modifies the benefits, contributions, and calculations for every member of PERA, regardless of when the member's PERA membership began, as follows:

Includes a member's pretax contributions to a flexible spending health plan and transportation plan in the definition of salary.

Renames the existing reserves in each of the state, school, local government, and judicial divisions of PERA as follows: the pioneer member contribution reserve, the pioneer employer contribution reserve, the pioneer retirement benefits reserve, and the pioneer survivor benefits reserve.

Within each of the state, school, local government, and judicial divisions of PERA, creates the following reserves: a centennial member contribution reserve, a centennial employer contribution reserve, a centennial retirement

benefits reserve, a centennial survivor benefits reserve, and a centennial 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.

Increases the amortization equalization disbursement that each PERA employer is required to deliver to PERA for each year commencing on or after January 1, 2008, but prior to January 1, 2013, to 0.5% of total payroll.

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

Specifies that the cost to purchase forfeited service credit shall be determined by the PERA board of trustees and shall be sufficient to pay the actuarial liability associated with the purchase.

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.

Incorporates federal requirements on minimum required distributions pursuant to the internal revenue code.

For a benefit recipient who is a pioneer retiree enrolled in the health care program and born on or after January 1, 1962, or for a benefit recipient who is a centennial member, requires the recipient to have at least 10 years of service credit in order to receive the monthly premium subsidy from the health care trust fund.

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, 2007, 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 established for employees hired on or after January 1,

2007.

For members who participate in the state's defined contribution plan, requires that on and after January 1, 2007, the employer shall deliver all contributions to PERA and PERA shall deliver the contributions to the state defined contribution 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 (21), (25) (a), (25) (b), and (42),
3 Colorado Revised Statutes, are amended, and the said 24-51-101 is
4 further amended BY THE ADDITION OF THE FOLLOWING NEW
5 SUBSECTIONS, to read:

6 **24-51-101. Definitions.** As used in this article, unless the context
7 otherwise requires:

8 (9.5) "CENTENNIAL MEMBER" OR "CENTENNIAL PROGRAM" MEANS
9 A MEMBER OR THE BENEFITS PACKAGE, CONTRIBUTION RATES, AND
10 RELATED PROVISIONS APPLICABLE TO A MEMBER WHO COMMENCES
11 MEMBERSHIP IN THE ASSOCIATION ON OR AFTER JANUARY 1, 2007, WHO IS
12 NOT A MEMBER, INACTIVE MEMBER, OR RETIREE PRIOR TO COMMENCING
13 MEMBERSHIP.

14 (21) "Employer contribution" means the money paid by an
15 employer to the association pursuant to the provisions of section
16 24-51-401 (1.7) for all member salaries paid and other required employer
17 contributions made pursuant to the provisions of ~~section 24-51-402~~
18 SECTIONS 24-51-402 AND 24-51-1601.

19 (25) (a) "Highest average salary" means:

20 (I) FOR AN EMPLOYEE WHO COMMENCES MEMBERSHIP BEFORE
21 JANUARY 1, 2007, one-twelfth of the average of the highest annual
22 salaries upon which contributions were paid, whether earned from one or

1 more employers, that are associated with three periods of twelve
2 consecutive months of service credit;

3 (II) For ~~a member~~ AN EMPLOYEE WHO COMMENCES MEMBERSHIP
4 BEFORE JANUARY 1, 2007, AND who does not have the requisite three
5 years of service credit, one-twelfth of the average of the total annual
6 salaries earned during membership upon which contributions were paid;

7 (III) For benefits which become effective on or after January 1,
8 1982, where the individual earned less than one year of service credit
9 after December 31, 1980, one-twelfth of the average of the highest annual
10 salaries upon which contributions were paid which were associated with
11 five consecutive years of service credit; ~~or~~

12 (IV) Notwithstanding any other provision of this paragraph (a) to
13 the contrary, for members of the judicial division retiring on or after July
14 1, 1997, AND WHO COMMENCED MEMBERSHIP BEFORE JANUARY 1, 2007,
15 one-twelfth of the highest annual salary upon which contributions were
16 paid for twelve consecutive months;

17 (V) FOR AN EMPLOYEE WHO COMMENCES MEMBERSHIP ON OR
18 AFTER JANUARY 1, 2007, ONE-TWELFTH OF THE AVERAGE OF THE HIGHEST
19 ANNUAL SALARIES UPON WHICH CONTRIBUTIONS WERE PAID, WHETHER
20 EARNED FROM ONE OR MORE EMPLOYERS, THAT ARE ASSOCIATED WITH
21 FIVE PERIODS OF TWELVE CONSECUTIVE MONTHS OF SERVICE CREDIT; OR

22 (VI) FOR AN EMPLOYEE WHO COMMENCES MEMBERSHIP ON OR
23 AFTER JANUARY 1, 2007, AND WHO DOES NOT HAVE THE REQUISITE FIVE
24 YEARS OF SERVICE CREDIT, ONE-TWELFTH OF THE AVERAGE OF THE TOTAL
25 ANNUAL SALARIES EARNED DURING MEMBERSHIP UPON WHICH
26 CONTRIBUTIONS WERE PAID.

27 (b) (I) In calculating highest average salary pursuant to

1 subparagraph (I) of paragraph (a) of this subsection (25), FOR MEMBERS
2 WHOSE MEMBERSHIP COMMENCED BEFORE JANUARY 1, 2007, AND WITH
3 AN EFFECTIVE DATE OF RETIREMENT BEFORE JANUARY 1, 2009, if any
4 annual salary used in said calculation was associated with service credit
5 earned during the last three years of membership, each annual salary
6 increase shall be limited to fifteen percent. This limitation shall not apply
7 to salary decreases.

8 (II) In calculating highest average salary pursuant to subparagraph
9 (I) of paragraph (a) of this subsection (25), FOR MEMBERS WHOSE
10 MEMBERSHIP COMMENCED BEFORE JANUARY 1, 2007, AND WITH AN
11 EFFECTIVE DATE OF RETIREMENT BEFORE JANUARY 1, 2009, if all annual
12 salaries used in said calculation were associated with service credit earned
13 prior to the last three years of membership, no fifteen percent limit shall
14 be applied to the salary differences.

15 (III) IN CALCULATING HIGHEST AVERAGE SALARY PURSUANT TO
16 SUBPARAGRAPHS (I) AND (II) OF PARAGRAPH (a) OF THIS SUBSECTION (25),
17 FOR RETIREES WITH AN EFFECTIVE DATE OF RETIREMENT ON OR AFTER
18 JANUARY 1, 2009, THE ASSOCIATION SHALL DETERMINE THE HIGHEST
19 ANNUAL SALARIES ASSOCIATED WITH FOUR PERIODS OF TWELVE
20 CONSECUTIVE MONTHS OF SERVICE CREDIT. THE LOWEST OF SUCH
21 ANNUAL SALARIES SHALL BE THE BASE SALARY. THE FIRST ANNUAL
22 SALARY TO BE USED IN THE HIGHEST AVERAGE SALARY CALCULATION
23 SHALL BE THE ACTUAL SALARY REPORTED UP TO ONE HUNDRED FIFTEEN
24 PERCENT OF THE BASE SALARY. THE SECOND ANNUAL SALARY TO BE USED
25 IN THE HIGHEST AVERAGE SALARY CALCULATION SHALL BE THE ACTUAL
26 SALARY REPORTED UP TO ONE HUNDRED FIFTEEN PERCENT OF THE FIRST
27 ANNUAL SALARY USED IN THE HIGHEST AVERAGE SALARY CALCULATION.

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

5 (IV) IN CALCULATING HIGHEST AVERAGE SALARY PURSUANT TO
6 SUBPARAGRAPHS (V) AND (VI) OF PARAGRAPH (a) OF THIS SUBSECTION
7 (25), THE ASSOCIATION SHALL DETERMINE THE HIGHEST ANNUAL SALARIES
8 ASSOCIATED WITH SIX PERIODS OF TWELVE CONSECUTIVE MONTHS OF
9 SERVICE CREDIT. THE LOWEST OF SUCH ANNUAL SALARIES SHALL BE THE
10 BASE SALARY. THE FIRST ANNUAL SALARY TO BE USED IN THE HIGHEST
11 AVERAGE SALARY CALCULATION SHALL BE THE ACTUAL SALARY
12 REPORTED UP TO ONE HUNDRED FIFTEEN PERCENT OF THE BASE SALARY.
13 THE SECOND ANNUAL SALARY TO BE USED IN THE HIGHEST AVERAGE
14 SALARY CALCULATION SHALL BE THE ACTUAL SALARY REPORTED UP TO
15 ONE HUNDRED FIFTEEN PERCENT OF THE FIRST ANNUAL SALARY USED IN
16 THE HIGHEST AVERAGE SALARY CALCULATION. THE THIRD ANNUAL
17 SALARY TO BE USED IN THE HIGHEST AVERAGE SALARY CALCULATION
18 SHALL BE THE ACTUAL SALARY REPORTED UP TO ONE HUNDRED FIFTEEN
19 PERCENT OF THE SECOND ANNUAL SALARY USED IN THE HIGHEST AVERAGE
20 SALARY CALCULATION. THE FOURTH ANNUAL SALARY TO BE USED IN THE
21 HIGHEST AVERAGE SALARY CALCULATION SHALL BE THE ACTUAL SALARY
22 REPORTED UP TO ONE HUNDRED FIFTEEN PERCENT OF THE THIRD ANNUAL
23 SALARY USED IN THE HIGHEST AVERAGE SALARY CALCULATION. THE
24 FIFTH ANNUAL SALARY TO BE USED IN THE HIGHEST AVERAGE SALARY
25 CALCULATION SHALL BE THE ACTUAL SALARY REPORTED UP TO ONE
26 HUNDRED FIFTEEN PERCENT OF THE FOURTH ANNUAL SALARY USED IN THE
27 HIGHEST AVERAGE SALARY CALCULATION.

1 (33.5) "PIONEER MEMBER" OR "PIONEER PROGRAM" MEANS A
2 MEMBER OR THE BENEFITS PACKAGE, CONTRIBUTION RATES, AND RELATED
3 PROVISIONS APPLICABLE TO A MEMBER WHO COMMENCES MEMBERSHIP IN
4 THE ASSOCIATION BEFORE JANUARY 1, 2007.

5 (42) (a) (I) "Salary" means, BEFORE JANUARY 1, 2009,
6 compensation for services rendered to an employer and includes: Regular
7 salary or pay; any pay for administrative, sabbatical, annual, sick,
8 vacation, or personal leave; pay for compensatory time or holidays;
9 payments by an employer from grants; amounts deducted from pay
10 pursuant to tax-sheltered savings or retirement programs; amounts
11 deducted from pay for a health savings account as defined in 26 U.S.C.
12 sec. 223, as amended, or any other type of retirement health savings
13 account program; performance or merit payments, if approved by the
14 board; special pay for work-related injuries paid by the employer prior to
15 termination of membership; and retroactive salary payments pursuant to
16 court orders, arbitration awards, or litigation and grievance settlements.

17 (II) "SALARY" MEANS, ON AND AFTER JANUARY 1, 2009,
18 COMPENSATION FOR SERVICES RENDERED TO AN EMPLOYER AND
19 INCLUDES: REGULAR SALARY OR PAY; ANY PAY FOR ADMINISTRATIVE,
20 SABBATICAL, ANNUAL, SICK, VACATION, OR PERSONAL LEAVE; PAY FOR
21 COMPENSATORY TIME OR HOLIDAYS; PAYMENTS BY AN EMPLOYER FROM
22 GRANTS; AMOUNTS DEDUCTED FROM PAY PURSUANT TO TAX-SHELTERED
23 SAVINGS OR RETIREMENT PROGRAMS; AMOUNTS DEDUCTED FROM PAY FOR
24 A HEALTH SAVINGS ACCOUNT AS DEFINED IN 26 U.S.C. SEC. 223, AS
25 AMENDED, OR ANY OTHER TYPE OF RETIREMENT HEALTH SAVINGS
26 ACCOUNT PROGRAM; PERFORMANCE OR MERIT PAYMENTS, IF APPROVED BY
27 THE BOARD; SPECIAL PAY FOR WORK-RELATED INJURIES PAID BY THE

1 EMPLOYER PRIOR TO TERMINATION OF MEMBERSHIP; AMOUNTS DEDUCTED
2 FROM PAY FOR CAFETERIA PLANS AS DEFINED IN 26 U.S.C. SEC. 125, AS
3 AMENDED; AMOUNTS DEDUCTED FROM PAY FOR FRINGE BENEFITS AS
4 DEFINED IN 26 U.S.C. SEC. 132 (f) (4), AS AMENDED; AND RETROACTIVE
5 SALARY PAYMENTS PURSUANT TO COURT ORDERS, ARBITRATION AWARDS,
6 OR LITIGATION AND GRIEVANCE SETTLEMENTS.

7 (b) "Salary" does not include: Commissions; compensation for
8 unused sick leave converted at any time to cash payments; compensation
9 for unused sick, annual, vacation, administrative, or other accumulated
10 paid leave contributed to a health savings account as defined in 26 U.S.C.
11 sec. 223, as amended, or a retirement health savings program; housing
12 allowances; uniform allowances; automobile usage; EMPLOYER PAID
13 insurance premiums; EMPLOYER PAID dependent care assistance;
14 reimbursement for expenses incurred; tuition or any other fringe benefits,
15 regardless of federal taxation; bonuses for services not actually rendered,
16 including, but not limited to, early retirement inducements, Christmas
17 bonuses, cash awards, honorariums and severance pay, damages, except
18 for retroactive salary payments paid pursuant to court orders or arbitration
19 awards or litigation and grievance settlements, or payments beyond the
20 date of a member's death.

21 **SECTION 2.** 24-51-208 (2) and (3), Colorado Revised Statutes,
22 are amended 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 (a) PIONEER member contribution reserve;
27 (b) PIONEER employer contribution reserve;

- 1 (c) PIONEER retirement benefits reserve;
- 2 (d) ~~Deferred retirement benefits reserve;~~
- 3 (e) PIONEER survivor benefits reserve; ~~and~~
- 4 (f) ~~Deferred survivor benefits reserve.~~
- 5 (g) CENTENNIAL MEMBER CONTRIBUTION RESERVE;
- 6 (h) CENTENNIAL EMPLOYER CONTRIBUTION RESERVE;
- 7 (i) CENTENNIAL RETIREMENT BENEFITS RESERVE;
- 8 (j) CENTENNIAL SURVIVOR BENEFITS RESERVE; AND
- 9 (k) CENTENNIAL ANNUAL INCREASE RESERVE.

10 (3) Within the member contribution ~~reserve~~ RESERVES, there shall
11 exist individual member contribution accounts.

12 **SECTION 3.** 24-51-211, Colorado Revised Statutes, is amended
13 to read:

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

22 **SECTION 4.** 24-51-212, Colorado Revised Statutes, is amended
23 to read:

24 **24-51-212. Funds not subject to legal process.** Except for
25 federal tax liens on distributions payable by the association, for
26 assignments for child support purposes as provided for in sections
27 14-10-118 (1) and 14-14-107, C.R.S., as they existed prior to July 1,

1 1996, for income assignments for child support purposes pursuant to
2 section 14-14-111.5, C.R.S., for writs of garnishment that are the result
3 of a judgment taken for arrearages for child support or for child support
4 debt, for payments from the association in compliance with a properly
5 executed court order approving a written agreement entered into pursuant
6 to section 14-10-113 (6), C.R.S., and for restitution that is required to be
7 paid for the theft, embezzlement, misappropriation, or wrongful
8 conversion of public property or in the event of a judgment for a willful
9 and intentional violation of fiduciary duties pursuant to section 24-51-207
10 where the offender or a related party received direct financial gain, none
11 of the moneys, trust funds, reserves, accounts, contributions pursuant to
12 parts 4, 5, ~~and~~ 15, AND 16 of this article, or benefits referred to in this
13 article shall be assignable either in law or in equity or be subject to
14 execution, levy, attachment, garnishment, bankruptcy proceedings, or
15 other legal process. Member contributions are subject to garnishment
16 resulting from a judgment taken for arrearages for child support or for
17 child support debt, for restitution that is required to be paid for the theft,
18 embezzlement, misappropriation, or wrongful conversion of public
19 property or in the event of a judgment for a willful and intentional
20 violation of fiduciary duties pursuant to section 24-51-207 where the
21 offender or a related party received direct financial gain, only if the
22 membership has terminated and the member is not vested.

23 **SECTION 5.** 24-51-401 (1.7) (a) and (1.8), Colorado Revised
24 Statutes, are amended, and the said 24-51-401 (1.7) is further amended
25 BY THE ADDITION OF A NEW PARAGRAPH, to read:

26 **24-51-401. Employer and member contributions.**
27 (1.7) (a) Employers shall deliver a contribution report and the full

1 amount of employer and member contributions to the association within
 2 five days after the date members and retirees are paid. Except as
 3 provided in ~~subsections (1.8) and~~ PARAGRAPH (e) OF THIS SUBSECTION
 4 (1.7), SUBSECTION (7) of this section, and sections 22-64-220 (4) (j),
 5 C.R.S., and 24-51-408.5, such contributions shall be based upon the rates
 6 for the appropriate division as set forth in the following table multiplied
 7 by the salary, as defined in section 24-51-101 (42), paid to members and
 8 retirees for the payroll period:

9 **TABLE A**
 10 **CONTRIBUTION RATES**

11 Division	Membership	Employer Rate	Member Rate
12 State	All Members	10.15%	8.0%
	Except		
14	State Troopers	12.85%	10.0%
15 School	All Members		
16	1/1/2006 through		
17	12/31/2012	10.15%	8.0%
18	1/1/2013 and	10.55%	8.0%
19	thereafter		
20 Local			
21 Government	All Members	10.0%	8.0%
22 Judicial	All Members	13.66%	8.0%

23 (e) THE MEMBER CONTRIBUTION RATE FOR CENTENNIAL MEMBERS
 24 SHALL BE ONE PERCENT LOWER THAN THE APPLICABLE MEMBER
 25 CONTRIBUTION RATE SPECIFIED IN PARAGRAPH (a) OF THIS SUBSECTION
 26 (1.7), UNLESS REVISED PURSUANT TO PART 16 OF THIS ARTICLE.

27 (1.8) ~~If the actuarial value of assets exceeds one hundred ten~~

1 percent of the actuarial accrued liabilities in any division, as determined
2 by the association's actuary, the division shall be considered overfunded,
3 and employer contribution rates shall be reduced as provided in section
4 ~~24-51-408.5 (5)~~.

5 **SECTION 6.** 24-51-402 (3) (a), Colorado Revised Statutes, is
6 amended to read:

7 **24-51-402. Unpaid contributions for any member - legislative**
8 **declaration.** (3) If an employer fails to provide membership in the
9 association to an individual so entitled pursuant to the provisions of this
10 article or fails to provide the required level of employer contributions for
11 an individual pursuant to the provisions of this article, the following
12 payment shall be made to the association:

13 (a) If the individual is not a member or inactive member at the
14 time the association first notifies the employer of its claim for unpaid
15 contributions, the employer shall pay the unpaid employer contributions
16 on behalf of the individual for the period contributions should have been
17 made at the contribution rate applicable during such period TOGETHER
18 WITH THE AMORTIZATION EQUALIZATION DISBURSEMENT, plus interest on
19 such employer contributions at the applicable actuarial investment
20 assumption rate, as such interest rate is from time to time adjusted, until
21 such contributions are paid. If an employer pays contributions pursuant
22 to this paragraph (a) on behalf of an individual who was not a member or
23 inactive member when the association first notifies the employer and such
24 individual subsequently becomes a member, the member may purchase
25 service credit for the appropriate time period pursuant to the requirements
26 of ~~section 24-51-503~~ SECTION 24-51-505.

27 **SECTION 7.** 24-51-411 (2) and (3), Colorado Revised Statutes,

1 are amended to read:

2 **24-51-411. Amortization equalization disbursement - repeal.**

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

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

25 **SECTION 8.** 24-51-502, Colorado Revised Statutes, is amended
26 BY THE ADDITION OF A NEW SUBSECTION to read:

27 **24-51-502. Purchased service credit.** (3) SERVICE CREDIT

1 PURCHASED PURSUANT TO THIS PART 5 SHALL BE SUBJECT TO THE
2 PROVISIONS IN EFFECT REGARDING BENEFITS, CONTRIBUTION RATES, AND
3 RELATED PROVISIONS AT THE COMMENCEMENT OF MEMBERSHIP.

4 **SECTION 9.** 24-51-503 (2), Colorado Revised Statutes, is
5 amended to read:

6 **24-51-503. Purchase of service credit relating to a refunded**
7 **member contribution account.** (2) The cost to purchase the forfeited
8 service credit shall be ~~the amount refunded plus interest accrued from the~~
9 ~~date of refund to completion of~~ DETERMINED BY THE BOARD AND SHALL
10 BE SUFFICIENT TO PAY THE ACTUARIAL LIABILITY ASSOCIATED WITH THE
11 purchase.

12 **SECTION 10.** 24-51-505 (7), Colorado Revised Statutes, is
13 amended to read:

14 **24-51-505. Purchase of service credit relating to noncovered**
15 **employment.** (7) A portion of the amount paid by a member to purchase
16 service credit related to noncovered employment shall be transferred to
17 the health care trust fund on the effective date of the member's retirement
18 or, in case of death prior to retirement, on the effective date of the
19 survivor benefit. The amount transferred shall be one and ~~one-tenth~~ TWO
20 ONE-HUNDREDTHS percent of the member's highest average salary at the
21 time of the purchase, with interest at the rate specified in section
22 24-51-101 (28) (a).

23 **SECTION 11.** 24-51-603 (1) (a), Colorado Revised Statutes, is
24 amended, and the said 24-51-603 (1) is further amended BY THE
25 ADDITION OF A NEW PARAGRAPH, to read:

26 **24-51-603. Benefit formula for service retirement.**
27 (1) (a) Except as otherwise provided in subsection (2) of this section,

1 effective July 1, 1997, the option 1 benefit for service retirement for
2 PIONEER members shall be calculated by multiplying the highest average
3 salary by two and one-half percent times each year and fraction of a year
4 of service credit. The following formula shall be used for this
5 calculation:

6 Highest Average Salary x (.025 x Years and Fraction of a Year).

7 (c) THE OPTION 1 BENEFIT FOR SERVICE RETIREMENT FOR ALL
8 CENTENNIAL MEMBERS SHALL BE CALCULATED BY MULTIPLYING THE
9 HIGHEST AVERAGE SALARY BY TWO AND ONE-TENTH PERCENT TIMES EACH
10 YEAR AND FRACTION OF A YEAR OF SERVICE CREDIT. THE FOLLOWING
11 FORMULA SHALL BE USED FOR THIS CALCULATION:

12 HIGHEST AVERAGE SALARY x (.021 x YEARS AND FRACTION OF A
13 YEAR).

14 **SECTION 12.** 24-51-606 (1), Colorado Revised Statutes, is
15 amended, and the said 24-51-606 is further amended BY THE
16 ADDITION OF A NEW SUBSECTION, to read:

17 **24-51-606. Vested inactive member rights.** (1) Any PIONEER
18 member who has earned at least five years of service credit and who
19 terminates membership and does not elect to receive a refund pursuant to
20 the provisions of section 24-51-405 shall be eligible for a benefit to
21 become effective upon reaching the age specified in table B in section
22 24-51-602 for a service retirement or in table C in section 24-51-604 for
23 a reduced service retirement.

24 (1.5) ANY CENTENNIAL MEMBER WHO HAS EARNED AT LEAST FIVE
25 YEARS OF SERVICE CREDIT AND WHO TERMINATES MEMBERSHIP AND DOES
26 NOT ELECT TO RECEIVE A REFUND PURSUANT TO THE PROVISIONS OF
27 SECTION 24-51-405 SHALL BE ELIGIBLE FOR A BENEFIT TO BECOME

1 EFFECTIVE UPON WRITTEN APPLICATION AND APPROVAL BY THE BOARD
2 AND UPON REACHING THE AGE SPECIFIED IN TABLE B.05 OR B.1 AS
3 APPLICABLE, IN SECTION 24-51-602 FOR A SERVICE RETIREMENT OR IN
4 TABLE C IN SECTION 24-51-604 FOR A REDUCED SERVICE RETIREMENT.
5 NOTWITHSTANDING THE PROVISIONS OF THIS SUBSECTION (1.5), FOR A
6 CENTENNIAL MEMBER WHO APPLIES FOR RETIREMENT WITHIN NINETY
7 DAYS AFTER THE MEMBER ATTAINS AGE AND SERVICE ELIGIBILITY, THE
8 EFFECTIVE DATE OF RETIREMENT SHALL BE THE DATE THE MEMBER
9 ATTAINS SUCH AGE AND SERVICE ELIGIBILITY.

10 **SECTION 13.** 24-51-606.5, Colorado Revised Statutes, is
11 amended to read:

12 **24-51-606.5. Indexation of benefits for vested inactive**
13 **members.** A vested inactive PIONEER member who has at least
14 twenty-five years of service credit prior to terminating membership shall
15 be eligible, upon retirement, for a benefit, as calculated pursuant to the
16 provisions of section 24-51-603 or 24-51-605, which has been increased
17 by the annual increase specified in sections 24-51-1001 to 24-51-1003,
18 from the date of termination of membership or July 1, 1993, whichever
19 is later, to the effective date of retirement.

20 **SECTION 14.** Part 6 of article 51 of title 24, Colorado Revised
21 Statutes, is amended BY THE ADDITION OF A NEW SECTION to
22 read:

23 **24-51-615. Distribution of benefits.** DISTRIBUTION OF BENEFITS
24 FROM EACH DIVISION TRUST FUND SHALL BE MADE IN ACCORDANCE WITH
25 SECTION 401(a)(9) OF THE FEDERAL "INTERNAL REVENUE CODE OF 1986",
26 AS AMENDED, INCLUDING THE INCIDENTAL DEATH BENEFIT REQUIREMENT
27 IN SECTION 401 (a) (9) (G), AND THE APPLICABLE TREASURY REGULATIONS

1 AND INTERNAL REVENUE SERVICE RULINGS AND OTHER INTERPRETATIONS
2 ISSUED THEREUNDER, INCLUDING TREASURY REGULATIONS SECTIONS
3 1.401 (a) (9)-2 TO 1.401 (a) (9)-9. THE PROVISIONS OF THIS SECTION SHALL
4 OVERRIDE ANY DISTRIBUTION OPTIONS THAT ARE INCONSISTENT WITH
5 SECTION 401 (a) (9) OF THE FEDERAL "INTERNAL REVENUE CODE OF
6 1986", AS AMENDED, TO THE EXTENT THAT THOSE DISTRIBUTION OPTIONS
7 ARE NOT GRANDFATHERED UNDER TREASURY REGULATIONS SECTION
8 1.401 (a) (9)-6.

9 **SECTION 15.** 24-51-803 (1), Colorado Revised Statutes, is
10 amended to read:

11 **24-51-803. Determination of option 2 or 3 benefits.** (1) For
12 service retirement, the calculation of benefits payable pursuant to option
13 2 or 3, as set forth in section 24-51-801, shall be actuarially determined
14 as of the date the retiree first ~~became eligible~~ ATTAINED THE AGE AND
15 SERVICE CREDIT REQUIREMENTS for service retirement regardless of the
16 effective date of such retirement.

17 **SECTION 16.** 24-51-1001 (1), Colorado Revised Statutes, is
18 amended, and the said 24-51-1001 is further amended BY THE
19 ADDITION OF A NEW SUBSECTION, to read:

20 **24-51-1001. Types of benefit increases.** (1) FOR PIONEER
21 RETIREES AND BENEFIT RECIPIENTS, annual increases in retirement benefits
22 and survivor benefits shall occur on March 1 if said benefits have been
23 paid for at least three months preceding March 1. Such increases in
24 benefits shall be calculated in accordance with the provisions of sections
25 24-51-1002 and 24-51-1003 and shall be paid from the division trust
26 funds.

27 (3) FOR CENTENNIAL RETIREES AND BENEFIT RECIPIENTS, ANNUAL

1 INCREASES IN RETIREMENT BENEFITS AND SURVIVOR BENEFITS SHALL
2 OCCUR ON JULY 31 IN ACCORDANCE WITH THE PROVISIONS OF SECTION
3 24-51-1603 AND SHALL BE PAID FROM THE CENTENNIAL RETIREMENT
4 BENEFITS RESERVE OR THE CENTENNIAL SURVIVOR BENEFITS RESERVE, AS
5 APPROPRIATE, SO LONG AS THE FOLLOWING REQUIREMENTS ARE SATISFIED:

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

8 (b) FOR RETIREES OTHER THAN DISABILITY RETIREES, THE RETIREE
9 IS OLDER THAN SIXTY YEARS OF AGE AS OF DECEMBER 31 OF THE
10 PRECEDING CALENDAR YEAR. NO MINIMUM AGE SHALL BE REQUIRED FOR
11 DISABILITY RETIREES AND SURVIVOR BENEFIT RECIPIENTS.

12 **SECTION 17.** 24-51-1002 (1), (1) (a.5) (I), and (1) (a.5) (II),
13 Colorado Revised Statutes, are amended to read:

14 **24-51-1002. Annual percentages to be used.** (1) FOR PIONEER
15 MEMBERS, the cumulative increase applied to benefits paid shall be
16 recalculated annually as of March 1 and shall be the total percent derived
17 by multiplying three and one-half percent, compounded annually, times
18 the number of years such benefit has been effective after March 1, 2000.
19 Benefits for vested inactive members with at least twenty-five years of
20 service credit and benefits for survivors of deceased vested inactive
21 members who had at least twenty-five years of service credit shall be
22 increased by the annual increase specified in sections 24-51-1001 to
23 24-51-1003 under prior law from the date of termination of membership
24 or July 1, 1993, whichever is later, to March 1, 2000, or the date benefits
25 commence, whichever is earlier.

26 (a.5) (I) Notwithstanding subsection (1) of this section, the
27 increase applied to benefits of persons who become PIONEER members on

1 or after July 1, 2005, and were not members, inactive members, or retirees
2 on July 1, 2005, shall be the lesser of three percent or the actual increase,
3 as calculated by the United States department of labor, in the national
4 consumer price index for urban wage earners and clerical workers during
5 the calendar year preceding the increase in the benefit. The increase
6 applied to such benefits shall be recalculated annually as of March 1, and
7 shall be the compounded annual percentage of the annual increases
8 applied to such benefits. If the benefit has not been paid during all twelve
9 months of the calendar year preceding March 1, then the annual increase
10 shall be prorated.

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

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

21 **24-51-1101. Employment after service retirement.** (2) Salary
22 from the employment described in subsection (1) of this section shall be
23 subject to employer contributions SPECIFIED IN SECTION 24-51-401, but
24 shall not be subject to member contributions except as provided in section
25 24-51-1103. Salary from employment by a retiree who is serving in a
26 state elected official's position shall not be subject to employer
27 contributions.

1 **SECTION 19.** 24-51-1103 (1), Colorado Revised Statutes, is
2 amended, and the said 24-51-1103 is further amended BY THE
3 ADDITION OF A NEW SUBSECTION, to read:

4 **24-51-1103. Contributions for a retiree who returns to**
5 **membership - benefit calculation upon subsequent retirement -**
6 **survivor benefit rights - disability retirement benefits.** (1) FOR
7 PIONEER RETIREES, except as otherwise provided in section 22-64-220 (4)
8 (h), C.R.S., a retiree who returns to work in a position that is subject to
9 membership may voluntarily suspend the service retirement benefits or
10 the reduced service retirement benefits and resume membership. Upon
11 such suspension, employer and member contributions are required to be
12 made pursuant to the provisions of part 4 of this article. Any additional
13 service credit accumulated and any increase in the highest average salary
14 of such person shall be reflected in the benefit calculation upon
15 subsequent termination of membership only after one year of service
16 credit has been earned.

17 (1.5) FOR CENTENNIAL RETIREES, EXCEPT AS OTHERWISE PROVIDED
18 IN SECTION 22-64-220 (4) (h), C.R.S., A RETIREE WHO RETURNS TO WORK
19 IN A POSITION THAT IS SUBJECT TO MEMBERSHIP MAY VOLUNTARILY
20 SUSPEND THE SERVICE RETIREMENT BENEFITS OR THE REDUCED SERVICE
21 RETIREMENT BENEFITS AND RESUME MEMBERSHIP. UPON SUCH
22 SUSPENSION, EMPLOYER AND MEMBER CONTRIBUTIONS ARE REQUIRED TO
23 BE MADE PURSUANT TO THE PROVISIONS OF PARTS 4 AND 16 OF THIS
24 ARTICLE. UPON TERMINATION OF MEMBERSHIP AFTER AT LEAST ONE YEAR
25 OF SERVICE CREDIT HAS BEEN EARNED, SUCH PERSON SHALL RECOMMENCE
26 THE BENEFIT AMOUNT IN EFFECT AT THE TIME OF SUSPENSION, WITHOUT
27 ANY ADJUSTMENTS FOR ANNUAL INCREASES PROVIDED DURING

1 SUSPENSION OF BENEFITS, AND WILL RECEIVE A SUPPLEMENTAL BENEFIT
2 BASED ON THE SERVICE CREDIT ACCUMULATED DURING SUSPENSION. THE
3 OPTION 1 SUPPLEMENTAL BENEFIT SHALL BE CALCULATED BASED ON THE
4 BENEFIT FORMULA IN EFFECT DURING THE PERIOD OF SUSPENSION.

5 **SECTION 20.** 24-51-1206 (2), Colorado Revised Statutes, is
6 amended to read:

7 **24-51-1206. Premium subsidy.** (2) Except as otherwise
8 provided in this section, on and after ~~July 1, 2000~~ JULY 1, 2006, the
9 premium subsidy shall be:

10 (a) Two hundred thirty dollars per month for PIONEER benefit
11 recipients who are under sixty-five years of age AND WHO ARE BORN
12 BEFORE JANUARY 1, 1962, OR WHO BECAME A BENEFIT RECIPIENT BEFORE
13 JANUARY 1, 2007, and who are not entitled to medicare hospital insurance
14 benefits provided by the federal "Health Insurance for the Aged Act", 42
15 U.S.C. sec. 1395, as amended.

16 (b) One hundred fifteen dollars per month for PIONEER benefit
17 recipients who are BORN BEFORE JANUARY 1, 1962, WHO ARE sixty-five
18 years of age or older, or who are under sixty-five years of age and entitled
19 to medicare hospital insurance benefits provided by the federal "Health
20 Insurance for the Aged Act", 42 U.S.C. sec. 1395, as amended.

21 (c) ONE HUNDRED FIFTEEN DOLLARS PER MONTH FOR BENEFIT
22 RECIPIENTS WHO HAVE AT LEAST TEN YEARS OF SERVICE CREDIT AND WHO
23 ARE EITHER PIONEER BENEFIT RECIPIENTS BORN ON OR AFTER JANUARY 1,
24 1962, OR WHO ARE CENTENNIAL MEMBERS.

25 **SECTION 21.** 24-51-1503, Colorado Revised Statutes, is
26 amended BY THE ADDITION OF A NEW SUBSECTION to read:

27 **24-51-1503. Defined contribution plan option.** (3) (a) AN

1 ELIGIBLE EMPLOYEE WHO COMMENCES EMPLOYMENT ON OR AFTER
2 JANUARY 1, 2007, WHO ELECTS TO PARTICIPATE IN OR IS AUTOMATICALLY
3 ENROLLED IN THE ASSOCIATION'S DEFINED BENEFIT PLAN, OR WHO MAKES
4 AN ELECTION PURSUANT TO SECTION 24-51-1506 (1) TO BECOME A
5 MEMBER OF THE ASSOCIATION'S DEFINED BENEFIT PLAN AND WHO HAS AN
6 EXISTING MEMBER CONTRIBUTION ACCOUNT IN THE ASSOCIATION'S
7 DEFINED BENEFIT PLAN SHALL CONTINUE MEMBERSHIP IN THE BENEFITS
8 PROGRAM IN WHICH THE MEMBER CONTRIBUTION ACCOUNT EXISTS.

9 (b) AN ELIGIBLE EMPLOYEE WHO COMMENCES EMPLOYMENT ON OR
10 AFTER JANUARY 1, 2007, AND WHO ELECTS TO PARTICIPATE IN THE
11 ASSOCIATION'S DEFINED CONTRIBUTION PLAN OR WHO MAKES AN
12 ELECTION PURSUANT TO SECTION 24-51-1506 (4) TO BECOME A MEMBER
13 OF THE ASSOCIATION'S DEFINED CONTRIBUTION PLAN SHALL MAKE
14 MEMBER CONTRIBUTIONS IN THE MEMBER'S DEFINED CONTRIBUTION
15 ACCOUNT AS SPECIFIED IN SECTIONS 24-51-401 (1.7) (e) AND 24-51-1601.

16 (c) AN ELIGIBLE EMPLOYEE WHO COMMENCES EMPLOYMENT ON OR
17 AFTER JANUARY 1, 2007, AND WHO ELECTS TO PARTICIPATE IN THE
18 DEFINED CONTRIBUTION PLAN PURSUANT TO PART 2 OF ARTICLE 52 OF THIS
19 TITLE SHALL MAKE MEMBER CONTRIBUTIONS IN THE MEMBER'S DEFINED
20 CONTRIBUTION ACCOUNT AS SPECIFIED IN SECTIONS 24-51-401 (1.7) (e)
21 AND 24-51-1601.

22 **SECTION 22.** 24-51-1505 (1) and (2), Colorado Revised
23 Statutes, are amended, and the said 24-51-1505 is further amended BY
24 THE ADDITION OF THE FOLLOWING NEW SUBSECTIONS, to
25 read:

26 **24-51-1505. Contributions - vesting.** (1) FOR ELIGIBLE
27 EMPLOYEES WHO COMMENCE EMPLOYMENT BEFORE JANUARY 1, 2007,

1 contribution rates to the ASSOCIATION'S defined contribution plan by the
2 state and by members of the defined contribution plan established
3 pursuant to this part 15 shall be the same as the rates that would be
4 payable by the state and the member pursuant to ~~section 24-51-401~~
5 SECTION 24-51-401 (1.7) (a).

6 (1.5) FOR ELIGIBLE EMPLOYEES WHO COMMENCE EMPLOYMENT ON
7 OR AFTER JANUARY 1, 2007, THE MEMBER CONTRIBUTION RATES TO THE
8 ASSOCIATION'S DEFINED CONTRIBUTION PLAN SHALL BE THE RATES
9 PAYABLE BY THE MEMBERS PURSUANT TO SECTIONS 24-51-401 (1.7) (e)
10 AND 24-51-1601. SUCH MEMBER CONTRIBUTION AND AN AMOUNT EQUAL
11 TO SUCH MEMBER CONTRIBUTION FROM THE EMPLOYER CONTRIBUTIONS
12 SHALL BE PLACED IN THE MEMBER'S ACCOUNT IN THE DEFINED
13 CONTRIBUTION PLAN.

14 (2) UNTIL JANUARY 1, 2007, the state employer shall deliver all
15 contributions to the service provider designated by the association within
16 five days after the date members are paid and consistent with the
17 provisions of section 24-51-401 (1.7) (b) to (1.7) (d).

18 (2.5) ON AND AFTER JANUARY 1, 2007, THE STATE EMPLOYER
19 SHALL DELIVER ALL CONTRIBUTIONS TO THE ASSOCIATION WITHIN FIVE
20 DAYS AFTER THE DATE MEMBERS ARE PAID AND CONSISTENT WITH THE
21 PROVISIONS OF SECTION 24-51-401 (1.7) (b) TO (1.7) (d). AFTER THE
22 ASSOCIATION RECEIVES THE CONTRIBUTIONS, THE ASSOCIATION SHALL
23 DELIVER CONTRIBUTIONS IN THE AMOUNTS SPECIFIED IN THIS ARTICLE TO
24 THE DESIGNATED SERVICE PROVIDER OR THE BUNDLED PROVIDER FOR THE
25 DEFINED CONTRIBUTION PLAN ESTABLISHED PURSUANT TO PART 2 OF
26 ARTICLE 52 OF THIS TITLE.

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

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

3 **24-51-1511. Limitation on actions by eligible employees.**
4 ADMINISTRATIVE ACTIONS OR CIVIL ACTIONS BROUGHT BY EMPLOYEES TO
5 DISPUTE THE ELECTION FOR PARTICIPATION OR FAILURE TO ELECT
6 PARTICIPATION IN THE ASSOCIATION'S DEFINED BENEFIT PLAN, THE
7 ASSOCIATION'S DEFINED CONTRIBUTION PLAN, OR THE DEFINED
8 CONTRIBUTION PLAN ESTABLISHED PURSUANT TO PART 2 OF ARTICLE 52 OF
9 THIS TITLE SHALL COMMENCE WITHIN ONE HUNDRED EIGHTY DAYS AFTER
10 THE ELECTION OR WITHIN ONE HUNDRED EIGHTY DAYS OF THE LAST DAY
11 ON WHICH THE EMPLOYEE MAY MAKE AN ELECTION TO PARTICIPATE IN
12 SUCH PLAN PURSUANT TO THIS ARTICLE AND ARTICLE 52 OF THIS TITLE,
13 WHICHEVER IS EARLIER.

14 **SECTION 24.** Article 51 of title 24, Colorado Revised Statutes,
15 is amended BY THE ADDITION OF A NEW PART to read:

16 **PART 16**

17 **CENTENNIAL ADJUSTMENTS AND STABILIZATION**

18 **24-51-1601. Centennial accounting reserve - creation -**
19 **definitions.** (1) THE ASSOCIATION SHALL CAUSE TO BE CONDUCTED AN
20 ACTUARIAL VALUATION AS SPECIFIED IN THIS PART 16 REGARDING THE
21 FINANCIAL AND ACTUARIAL STATUS OF THE CENTENNIAL PROGRAM. FOR
22 PURPOSES OF THE ACTUARIAL VALUATION OF THE CENTENNIAL PROGRAM,
23 THE ASSETS TO BE CONSIDERED SHALL BE THOSE ASSETS ALLOCATED TO
24 THE CENTENNIAL RESERVES AS SPECIFIED IN SECTION 24-51-208 (2).

25 (2) THE FOLLOWING ALLOCATIONS SHALL BE MADE TO THE
26 CENTENNIAL RESERVES:

27 (a) THE CENTENNIAL MEMBER CONTRIBUTION SPECIFIED IN

1 SECTION 24-51-401 (1.7) (e), EXCEPT AS MAY BE MODIFIED PURSUANT TO
2 THE PROVISIONS OF THIS PART 16;

3 (b) A FIXED PORTION OF THE EMPLOYER CONTRIBUTION THAT
4 SHALL BE DETERMINED BY AN INITIAL ACTUARIAL VALUATION TO BE
5 CONDUCTED PRIOR TO JANUARY 1, 2007. THE AMOUNT OF THE FIXED
6 PORTION OF EMPLOYER CONTRIBUTION ALLOCATED TO THE CENTENNIAL
7 RESERVE SHALL BE THE AMOUNT THAT WHEN ADDED TO THE MEMBER
8 CONTRIBUTION IS SUFFICIENT TO PAY THE NORMAL COST, ROUNDED UP TO
9 THE NEAREST ONE-HALF OF ONE PERCENTAGE POINT, OF THE CENTENNIAL
10 PROGRAM AS DETERMINED IN THE INITIAL ACTUARIAL VALUATION PLUS
11 ONE-HALF OF ONE PERCENT OF SALARY TO FUND THE ANNUAL INCREASE
12 RESERVE SPECIFIED IN SECTION 24-51-1603. THE NORMAL COST
13 DETERMINATION IN THE INITIAL ACTUARIAL VALUATION SHALL BE BASED
14 UPON GENERALLY ACCEPTED ACTUARIAL PRINCIPLES.

15 (c) ANY INCREASES IN EMPLOYER AND MEMBER CONTRIBUTION
16 ALLOCATIONS RESULTING FROM THE PROVISIONS OF SECTION 24-51-1602;

17 (d) ANY CONTRIBUTIONS RECEIVED BY THE ASSOCIATION IN
18 CONNECTION WITH EMPLOYMENT BY AN ASSOCIATION-AFFILIATED
19 EMPLOYER OF A CENTENNIAL RETIREE;

20 (e) ALL INTEREST PAID BY EMPLOYERS AND MEMBERS ON THE
21 AMOUNTS SPECIFIED IN PARAGRAPHS (a) TO (d) OF THIS SUBSECTION (2);

22 (f) ALL AMOUNTS RECEIVED BY THE ASSOCIATION IN CONNECTION
23 WITH PURCHASES OF SERVICE CREDIT IN THE CENTENNIAL PROGRAM; AND

24 (g) A PROPORTIONAL SHARE OF INVESTMENT INCOME EARNED ON
25 THE AMOUNTS SPECIFIED IN PARAGRAPHS (a) TO (f) OF THIS SUBSECTION
26 (2).

27 (3) NO AMOUNTS OTHER THAN THE AMOUNTS SPECIFIED IN

1 SUBSECTION (2) OF THIS SECTION SHALL BE ALLOCATED TO THE
2 CENTENNIAL RESERVES.

3 (4) THE ASSOCIATION SHALL CAUSE TO BE CONDUCTED AN ANNUAL
4 ACTUARIAL VALUATION OF EACH DIVISION'S CENTENNIAL PROGRAM
5 RESERVES, EXCLUDING THE AMOUNTS ALLOCATED TO THE CENTENNIAL
6 ANNUAL INCREASE RESERVE FOR SUCH DIVISION, FOR THE PURPOSE OF
7 DETERMINING THE ACTUARIAL FUNDED RATIO OF THE PLAN, THE
8 ACTUARIAL LIABILITIES ASSOCIATED WITH THE ACCRUED BENEFITS IN THE
9 CENTENNIAL PROGRAM OF EACH DIVISION, AND THE AMORTIZATION
10 PERIOD OF ANY UNFUNDED LIABILITIES OF THE CENTENNIAL PROGRAM OF
11 EACH DIVISION.

12 (5) AS USED IN THIS PART 16, UNLESS THE CONTEXT OTHERWISE
13 REQUIRES, "ACTUARIAL FUNDED RATIO" MEANS MARKET ASSETS DIVIDED
14 BY ACTUARIAL ACCRUED LIABILITY OF THE CENTENNIAL PROGRAM OF
15 EACH DIVISION TRUST FUND.

16 **24-51-1602. Actuarial valuation - increase in contributions -**
17 **decrease in benefits.** (1) IF AN ANNUAL ACTUARIAL VALUATION
18 INDICATES AN ACTUARIAL FUNDED RATIO OF LESS THAN NINETY PERCENT,
19 THE CONTRIBUTION ALLOCATIONS SPECIFIED IN SECTION 24-51-1601 (2)
20 (a) AND (2) (b) SHALL EACH INCREASE BY ONE-HALF OF ONE PERCENT OF
21 THE AMOUNT OF THE SALARY AND CONTINUE TO INCREASE AT SAID LEVEL
22 UNLESS REVISED BY THE PROVISIONS OF THIS SECTION. THE ALLOCATION
23 INCREASE SPECIFIED IN THIS SUBSECTION (1) SHALL NOT EXCEED THREE
24 PERCENT FOR THE MEMBER CONTRIBUTION ALLOCATION AND THREE
25 PERCENT FOR THE EMPLOYER CONTRIBUTION ALLOCATION ABOVE THE
26 CONTRIBUTION ALLOCATIONS SPECIFIED IN SECTION 24-51-1601.

27 (2) IF THE ACTUARIAL VALUATION INDICATES AN ACTUARIAL

1 FUNDED RATIO OF LESS THAN NINETY PERCENT AND THE CONTRIBUTION
2 ALLOCATIONS SPECIFIED IN SECTION 24-51-1601 (2) (a) AND (2) (b) HAVE
3 INCREASED PURSUANT TO SUBSECTION (1) OF THIS SECTION TO THE
4 MAXIMUM ALLOCATION, THEN THE BOARD SHALL SUBMIT
5 RECOMMENDATIONS TO THE GENERAL ASSEMBLY FOR A REDUCTION IN THE
6 BENEFITS, AND THE GENERAL ASSEMBLY SHALL HAVE THE AUTHORITY TO
7 REDUCE THE BENEFIT PROVISIONS FOR THE CENTENNIAL MEMBERS WHO
8 HAVE NOT YET RETIRED AND ARE NOT YET ELIGIBLE TO RETIRE AS
9 NECESSARY TO ACHIEVE A CURRENT ACTUARIAL FUNDED RATIO OF NINETY
10 PERCENT WITH A MAXIMUM AMORTIZATION PERIOD FOR THE UNFUNDED
11 LIABILITY OF THIRTY YEARS FROM THE EFFECTIVE DATE OF THE REVISIONS.
12 IN NO EVENT SHALL ANY BENEFIT REDUCTION BE APPLIED TO REDUCE THE
13 ACCRUED BENEFITS ASSOCIATED WITH SERVICE CREDIT EARNED OR
14 PURCHASED PRIOR TO THE EFFECTIVE DATE OF THE REDUCTION.

15 (3) IF THE ACTUARIAL VALUATION INDICATES AN ACTUARIAL
16 FUNDED RATIO GREATER THAN ONE HUNDRED TEN PERCENT, THE
17 CONTRIBUTION ALLOCATIONS SPECIFIED IN SECTION 24-51-1601(2) (a) AND
18 (2) (b) SHALL EACH DECREASE BY ONE-HALF OF ONE PERCENT OF THE
19 AMOUNT OF THE SALARY AND CONTINUE TO DECREASE AT SAID LEVEL
20 UNLESS REVISED BY THE PROVISIONS OF THIS SECTION.
21 NOTWITHSTANDING THE PROVISIONS OF THIS SUBSECTION (3), MEMBER
22 CONTRIBUTION ALLOCATIONS TO THE CENTENNIAL RESERVES SHALL BE
23 NOT LESS THAN THE ALLOCATIONS SPECIFIED IN SECTION 24-51-1601 (2)
24 (a), EXCEPT FOR STATE TROOPERS AS PROVIDED IN SECTION 24-51-1601
25 (3), AND EMPLOYER CONTRIBUTION ALLOCATIONS TO THE CENTENNIAL
26 RESERVES SHALL BE NOT LESS THAN THE ALLOCATION SPECIFIED IN
27 SECTION 24-51-1601 (2) (b).

1 (4) IN THE EVENT THAT CONTRIBUTION ALLOCATIONS TO THE
2 CENTENNIAL PROGRAM ARE REVISED PURSUANT TO SECTION 24-51-1602
3 (1) OR (3), THE MEMBER AND EMPLOYER CONTRIBUTION RATES SPECIFIED
4 IN SECTION 24-51-401 SHALL BE REVISED IN A LIKE MANNER AND AMOUNT
5 FOR CENTENNIAL MEMBERS.

6 (5) THE CENTENNIAL RETIREES SHALL NOT BE SUBJECT TO OR
7 ENTITLED TO BENEFIT REVISIONS RESULTING FROM THE PROVISIONS OF
8 SECTION 24-51-1602 THAT ARE ENACTED AFTER THEIR EFFECTIVE DATE OF
9 RETIREMENT.

10 **24-51-1603. Annual increase reserve - creation.** (1) THE
11 CENTENNIAL ANNUAL INCREASE RESERVE SHALL BE FOR THE SOLE
12 PURPOSE OF PROVIDING ANNUAL INCREASES FOR ELIGIBLE CENTENNIAL
13 RETIREES AND BENEFIT RECIPIENTS AS CALCULATED IN THE MANNER
14 PROVIDED IN THIS PART 16. BENEFIT PAYMENTS TO CENTENNIAL RETIREES
15 AND BENEFIT RECIPIENTS INCLUDING ANNUAL INCREASES SHALL BE PAID
16 FROM AMOUNTS ALLOCATED TO THE CENTENNIAL RETIREMENT BENEFIT
17 RESERVES OR THE CENTENNIAL SURVIVOR BENEFIT RESERVES, AS
18 APPROPRIATE. NO PAYMENTS OF BENEFITS OR ANNUAL INCREASES SHALL
19 BE MADE FROM AMOUNTS ALLOCATED TO THE ANNUAL INCREASE
20 RESERVE.

21 (2) A PORTION OF THE EMPLOYER CONTRIBUTION ALLOCATION
22 SPECIFIED IN SECTION 24-51-1601 (2) (b) EQUAL TO ONE-HALF OF ONE
23 PERCENT OF CENTENNIAL MEMBERS' SALARIES TOGETHER WITH A
24 PROPORTIONAL SHARE OF THE INVESTMENT EARNINGS THEREON SHALL BE
25 ALLOCATED TO THE CENTENNIAL ANNUAL INCREASE RESERVE AND
26 RETAINED IN THE RESERVE UNTIL REMOVED FROM THE RESERVE. SUBJECT
27 TO THE LIMITATIONS SPECIFIED IN THIS SECTION, AN AMOUNT SHALL BE

1 REALLOCATED EACH YEAR FROM THE CENTENNIAL ANNUAL INCREASE
2 RESERVE TO THE CENTENNIAL RETIREMENT BENEFITS RESERVE OF
3 CENTENNIAL SURVIVOR BENEFITS RESERVE, AS APPROPRIATE, FOR THE
4 PURPOSE OF PAYING THE ANNUAL INCREASES TO CENTENNIAL RETIREES
5 AND BENEFIT RECIPIENTS IN AN AMOUNT DETERMINED PURSUANT TO
6 SUBSECTION (3) OF THIS SECTION.

7 (3) FOR THE CENTENNIAL ANNUAL INCREASE RESERVE OF EACH
8 DIVISION, AN ACTUARIAL DETERMINATION SHALL BE CONDUCTED EACH
9 YEAR OF THE MARKET VALUE OF THE ASSETS IN THE RESERVE AND FOR
10 EACH DIVISION'S CENTENNIAL PROGRAM A CALCULATION OF THE NET
11 PRESENT VALUE OF THE ACTUARIAL LIABILITIES ASSOCIATED WITH
12 PARAGRAPHS (a), (b), AND (c) OF THIS SUBSECTION (3). THE AMOUNT THAT
13 SHALL BE REALLOCATED FROM THE CENTENNIAL ANNUAL INCREASE
14 RESERVE TO THE CENTENNIAL RETIREMENT BENEFITS RESERVE OR THE
15 CENTENNIAL SURVIVOR BENEFITS RESERVE, AS APPROPRIATE, SHALL BE
16 THE LESSER OF THE AMOUNTS NECESSARY TO FUND THE NET PRESENT
17 VALUE OF THE ACTUARIAL LIABILITY ASSOCIATED WITH THE FOLLOWING:

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

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

1 OR

2 (c) AN INCREASE OF CURRENT BENEFITS PAYABLE TO BENEFIT
3 RECIPIENTS THEN ELIGIBLE FOR AN ANNUAL INCREASE IN ACCORDANCE
4 WITH SECTION 24-51-1001 (3) THAT WILL EXHAUST TEN PERCENT OF THE
5 MARKET VALUE OF THE CENTENNIAL ANNUAL INCREASE RESERVE.

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

9 **SECTION 25.** 24-52-204, Colorado Revised Statutes, is amended
10 to read:

11 **24-52-204. Employer and employee contributions.** (1) FOR
12 ELIGIBLE EMPLOYEES WHO COMMENCE EMPLOYMENT BEFORE JANUARY 1,
13 2007, rates for employer and employee contributions to a defined
14 contribution plan established pursuant to this part 2 shall be the same as
15 the rates that would be payable by such employer and employee to the
16 association for the state division pursuant to ~~section 24-51-401~~ SECTION
17 24-51-401 (1.7) (a).

18 (2) FOR ELIGIBLE EMPLOYEES WHO COMMENCE EMPLOYMENT ON
19 OR AFTER JANUARY 1, 2007, THE MEMBER CONTRIBUTION RATES TO THE
20 DEFINED CONTRIBUTION PLAN SHALL BE THE RATES PAYABLE BY THE
21 MEMBERS PURSUANT TO SECTIONS 24-51-401 (1.7) (e) AND 24-51-1601.
22 SUCH MEMBER CONTRIBUTION AND AN AMOUNT EQUAL TO SUCH MEMBER
23 CONTRIBUTION FROM THE EMPLOYER CONTRIBUTION SHALL BE PLACED IN
24 THE MEMBER'S ACCOUNT IN THE DEFINED CONTRIBUTION PLAN PURSUANT
25 TO THIS PART 2.

26 (3) ON AND AFTER JANUARY 1, 2007, THE STATE EMPLOYER SHALL
27 DELIVER ALL CONTRIBUTIONS TO THE ASSOCIATION WITHIN FIVE DAYS

1 AFTER THE DATE MEMBERS ARE PAID AND CONSISTENT WITH THE
2 PROVISIONS OF SECTION 24-51-401 (1.7) (b) AND (1.7) (d). AFTER THE
3 ASSOCIATION RECEIVES THE CONTRIBUTIONS, THE ASSOCIATION SHALL
4 DELIVER CONTRIBUTIONS IN THE AMOUNTS SPECIFIED IN THIS ARTICLE TO
5 THE BUNDLED PROVIDER FOR THE DEFINED CONTRIBUTION PLAN PURSUANT
6 TO THIS PART 2.

7 **SECTION 26.** Part 2 of article 52 of title 24, Colorado Revised
8 Statutes, is amended BY THE ADDITION OF A NEW SECTION to
9 read:

10 **24-52-209. Limitation of actions by eligible employees.**
11 ADMINISTRATIVE ACTIONS OR CIVIL ACTIONS BROUGHT BY EMPLOYEES TO
12 DISPUTE THE ELECTION FOR PARTICIPATION OR FAILURE TO ELECT
13 PARTICIPATION IN THE ASSOCIATION'S DEFINED BENEFIT PLAN, THE
14 ASSOCIATION'S DEFINED CONTRIBUTION PLAN, OR THE DEFINED
15 CONTRIBUTION PLAN CREATED PURSUANT TO THIS PART 2 SHALL
16 COMMENCE WITHIN ONE HUNDRED EIGHTY DAYS AFTER THE ELECTION OR
17 WITHIN ONE HUNDRED EIGHTY DAYS OF THE LAST DAY ON WHICH THE
18 EMPLOYEE MAY MAKE AN ELECTION TO PARTICIPATE IN SUCH PLANS
19 PURSUANT TO ARTICLE 51 OF THIS TITLE AND THIS ARTICLE, WHICHEVER
20 IS EARLIER.

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