

Second Regular Session
Sixty-fifth General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 06-0506.01 Nicole Hoffman

SENATE BILL 06-162

SENATE SPONSORSHIP

Owen,

HOUSE SPONSORSHIP

(None),

Senate Committees
State, Veterans & Military Affairs

House Committees

A BILL FOR AN ACT

101 CONCERNING RETIREMENT BENEFIT PLANS FOR PUBLIC EMPLOYEES.

Bill Summary

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

Terminates the terms of the current board of trustees of the public employees' retirement association (PERA) as of January 1, 2007, and creates a new board of trustees (board) to administer PERA as of that date. Specifies that the board shall be comprised of 11 members as follows:

The state auditor and the state treasurer;
4 trustees who are members of PERA, one from each of the state, school, municipal, and judicial divisions, who are elected by public employees who are PERA members

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.

(members) in the respective divisions;
One member who is a PERA retiree who is elected by PERA retirees; and
4 trustees who are appointed by the governor and who have experience and expertise in investment management, finance, banking, economics, accounting, pension administration, or actuarial analysis.

Further modifies the board and the administration of PERA in the following respects:

Directs the board to specify the time and manner for the election of trustees and length of terms.

States that the elected trustees of the board shall not be compensated but shall be reimbursed by PERA for expenses incurred in association with their service on the board. States that the appointed trustees of the board shall be compensated and reimbursed by PERA for expenses incurred in association with their service on the board.

If PERA is deemed to be actuarially unsound for 3 consecutive years, states that the terms of the trustees of the board shall be terminated and a new board shall be elected and appointed, as applicable.

Directs the board to hire and set the compensation for an internal auditor of PERA.

On June 13, 2006, changes the maximum amortization period for the PERA trust funds that shall be deemed actuarially sound from 40 to 30 years.

States that an actuarial necessity shall exist for PERA when the defined benefit plan administered by PERA is not actuarially sound. In the event of an actuarial necessity, allows the general assembly to modify the amount of member and employer contributions.

Prohibits the attorney general from delegating his or her responsibilities as legal advisor to the board to any legal advisor or attorney hired by PERA. Specifies that PERA's attorneys shall advise PERA staff rather than the board.

Modifies PERA benefits for employees who are hired on or after January 1, 2007, in the following respects:

Bases the calculation of highest average salary on 5 periods of 12 consecutive months of service credit.

For members, regardless of division membership, states that the member and employer contribution rate is 7% of the member's salary.

If the general assembly increases the employer contribution rate in order to make PERA actuarially sound, requires the general assembly to increase the member contribution rate

by double the increase in the employer contribution rate. Directs the board to present a proposal to the general assembly to reduce future benefits for members hired on or after January 1, 2007, if member contributions and employer contributions have increased a total of 3%, respectively, and PERA's liabilities for such members are not over 90% funded.

Specifies that any increase in member and employer contributions and any reduction in benefits shall remain in effect until the actuarial value of assets of the members hired on or after January 1, 2007, equals or exceeds 110% of PERA's liabilities for such employees.

For members 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 60 years of age.

For service retirement with a single life benefit payable for the life of the retiree, 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.

Modifies the formula for calculating a reduced service benefit to decrease the amount of such benefit.

Allows an annual cost of living increase in a retiree's benefit only if PERA is actuarially overfunded and if 2/3 of the board votes in favor of allowing the increase.

Modifies PERA benefits in the following respects:

For members whose benefits become effective on or after January 1, 2009, restricts the permissible annual increase in salary for each year that is included in the calculation of highest average salary.

Includes members' pretax contributions to flexible spending health plans and transportation plans in the definition of salary.

For the 2007-08 state fiscal year through the 2009-10 state fiscal year, for members who were hired before January 1, 2007, requires that an amount equal to one percent of each member's salary shall be deducted from each employee's salary increase and shall be transferred to PERA as a supplemental member contribution to eliminate the unfunded liability of PERA.

Codifies the PERA policy that states that the cost for members to purchase service credit is the actuarial cost of providing the future benefit resulting from the purchase and that the actuarial cost shall be determined by the

members age at the time of purchase and the division of PERA membership.

Increases the retirement age for members who were hired before January 1, 2007, and who are less than 40 years of age when the act takes effect.

Requires the director of research of the legislative council, upon request of the president of the senate and the speaker of the house of representatives, to contract with a private person to conduct an actuarial analysis of PERA to determine whether increasing members' and retirees' benefits would cause PERA to become actuarially unsound. Expands the option to participate in a defined contribution plan administered by the state deferred compensation committee to any employee who is a member of PERA.

For members who join the defined contribution plan administered by PERA and then elect to join the defined benefit plan instead, states that such members shall have the option to receive service credit for the total number of years and months that the member was in the defined contribution plan or to purchase service credit for the number of years and months that can be purchased with the value of the members defined contribution account.

Allows the state deferred compensation committee, in administering the state public officials' and employees' defined contribution plans, to select one or more private vendors to provide optional coverage for disability and survivor benefits to participants of such plans.

Defines terms. Makes conforming amendments.

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

2 **SECTION 1.** 24-51-101 (9), (25) (a), (25) (b), and (42) (a),
3 Colorado Revised Statutes, are amended to read:

4 **24-51-101. Definitions - repeal.** As used in this article, unless
5 the context otherwise requires:

6 (9) "Board" means:

7 (a) (I) PRIOR TO JANUARY 1, 2007, the board of trustees created
8 pursuant to the provisions of section 24-51-202 ~~which~~ THAT has such
9 duties and powers authorized by this article for the management of the

1 association.

2 (II) THIS PARAGRAPH (a) IS REPEALED, EFFECTIVE JANUARY 1,
3 2007.

4 (b) ON AND AFTER JANUARY 1, 2007, THE BOARD CREATED
5 PURSUANT TO THE PROVISIONS OF SECTION 24-51-203.5 THAT HAS SUCH
6 DUTIES AND POWERS AUTHORIZED BY THIS ARTICLE FOR THE
7 MANAGEMENT OF THE ASSOCIATION.

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

9 (I) FOR MEMBERS HIRED BEFORE JANUARY 1, 2007:

10 ~~(H)~~ (A) One-twelfth of the average of the highest annual salaries
11 upon which contributions were paid, whether earned from one or more
12 employers, that are associated with three periods of twelve consecutive
13 months of service credit;

14 ~~(H)~~ (B) For a member who does not have the requisite three years
15 of service credit, one-twelfth of the average of the total annual salaries
16 earned during membership upon which contributions were paid;

17 ~~(H)~~ (C) For benefits which become effective on or after January
18 1, 1982, where the individual earned less than one year of service credit
19 after December 31, 1980, one-twelfth of the average of the highest annual
20 salaries upon which contributions were paid which were associated with
21 five consecutive years of service credit; or

22 ~~(IV)~~ (D) Notwithstanding any other provision of this paragraph (a)
23 SUBPARAGRAPH (I) to the contrary, for members of the judicial division
24 retiring on or after July 1, 1997, one-twelfth of the highest annual salary
25 upon which contributions were paid for twelve consecutive months.

26 (II) FOR MEMBERS HIRED ON OR AFTER JANUARY 1, 2007:

27 (A) ONE-TWELFTH OF THE AVERAGE OF THE HIGHEST ANNUAL

1 SALARIES UPON WHICH CONTRIBUTIONS WERE PAID, WHETHER EARNED
2 FROM ONE OR MORE EMPLOYERS, THAT ARE ASSOCIATED WITH FIVE
3 PERIODS OF TWELVE CONSECUTIVE MONTHS OF SERVICE CREDIT;

4 (B) FOR A MEMBER WHO DOES NOT HAVE THE REQUISITE FIVE
5 YEARS OF SERVICE CREDIT, ONE-TWELFTH OF THE AVERAGE OF THE TOTAL
6 ANNUAL SALARIES EARNED DURING MEMBERSHIP UPON WHICH
7 CONTRIBUTIONS WERE PAID.

8 (C) NOTWITHSTANDING ANY OTHER PROVISION OF THIS
9 SUBPARAGRAPH (II) TO THE CONTRARY, FOR MEMBERS OF THE JUDICIAL
10 DIVISION, ONE-TWELFTH OF THE HIGHEST ANNUAL SALARY UPON WHICH
11 CONTRIBUTIONS WERE PAID FOR TWELVE CONSECUTIVE MONTHS.

12 (b) (I) In calculating highest average salary pursuant to
13 SUB-SUBPARAGRAPH (A) OF subparagraph (I) AND SUB-SUBPARAGRAPH
14 (A) OF SUBPARAGRAPH (II) OF paragraph (a) of this subsection (25), if any
15 annual salary used in said calculation was associated with service credit
16 earned during the last three years of membership OR DURING THE LAST
17 FIVE YEARS OF MEMBERSHIP, AS APPLICABLE, each annual salary increase
18 shall be limited to fifteen percent. This limitation shall not apply to salary
19 decreases.

20 (II) In calculating highest average salary pursuant to
21 SUB-SUBPARAGRAPH (B) OF subparagraph (I) AND SUB-SUBPARAGRAPH
22 (B) OF SUBPARAGRAPH (II) OF paragraph (a) of this subsection (25), if all
23 annual salaries used in said calculation were associated with service credit
24 earned prior to the last three years of membership OR PRIOR TO THE LAST
25 FIVE YEARS OF MEMBERSHIP, AS APPLICABLE, no fifteen percent limit shall
26 be applied to the salary differences.

27 (III) NOTWITHSTANDING THE PROVISIONS OF SUBPARAGRAPHS (I)

1 AND (II) OF THIS PARAGRAPH (b), FOR BENEFITS THAT BECOME EFFECTIVE
2 ON OR AFTER JANUARY 1, 2009, IN CALCULATING THE HIGHEST AVERAGE
3 SALARY PURSUANT TO SUB-SUBPARAGRAPH (A) OF SUBPARAGRAPH (I)
4 AND SUB-SUBPARAGRAPH (A) OF SUBPARAGRAPH (II) OF PARAGRAPH (a)
5 OF THIS SUBSECTION (25), THE LOWEST ANNUAL SALARY USED IN SUCH
6 CALCULATION SHALL NOT BE MORE THAN A FIFTEEN PERCENT INCREASE
7 OVER THE HIGHEST ANNUAL SALARY THAT IS NOT INCLUDED IN THE
8 CALCULATION OF HIGHEST AVERAGE SALARY. THE ANNUAL INCREASE IN
9 SALARY FOR THE REMAINING YEARS USED IN THE CALCULATION OF
10 HIGHEST AVERAGE SALARY SHALL BE LIMITED TO FIFTEEN PERCENT.

11 (42) (a) (I) "Salary" means compensation for services rendered to
12 an employer and, BEFORE JANUARY 1, 2007, includes: Regular salary or
13 pay; any pay for administrative, sabbatical, annual, sick, vacation, or
14 personal leave; pay for compensatory time or holidays; payments by an
15 employer from grants; amounts deducted from pay pursuant to
16 tax-sheltered savings or retirement programs; amounts deducted from pay
17 for a health savings account as defined in 26 U.S.C. sec. 223, as amended,
18 or any other type of retirement health savings account program;
19 performance or merit payments, if approved by the board; special pay for
20 work-related injuries paid by the employer prior to termination of
21 membership; and retroactive salary payments pursuant to court orders,
22 arbitration awards, or litigation and grievance settlements.

23 (II) "SALARY" MEANS COMPENSATION FOR SERVICES RENDERED TO
24 AN EMPLOYER AND, ON AND AFTER JANUARY 1, 2007, INCLUDES:
25 REGULAR SALARY OR PAY; ANY PAY FOR ADMINISTRATIVE, SABBATICAL,
26 ANNUAL, SICK, VACATION, OR PERSONAL LEAVE; PAY FOR COMPENSATORY
27 TIME OR HOLIDAYS; PAYMENTS BY AN EMPLOYER FROM GRANTS; AMOUNTS

1 DEDUCTED FROM PAY PURSUANT TO TAX-SHELTERED SAVINGS OR
2 RETIREMENT PROGRAMS; AMOUNTS DEDUCTED FROM PAY FOR A HEALTH
3 SAVINGS ACCOUNT AS DEFINED IN 26 U.S.C. SEC. 223, AS AMENDED, OR
4 ANY OTHER TYPE OF RETIREMENT HEALTH SAVINGS ACCOUNT PROGRAM;
5 AMOUNTS DEDUCTED FROM PAY FOR A CAFETERIA PLAN PURSUANT TO
6 SECTION 125 OF THE FEDERAL "INTERNAL REVENUE CODE OF 1986", AS
7 AMENDED, AMOUNTS DEDUCTED FROM PAY FOR TRANSPORTATION COSTS
8 PURSUANT TO SECTION 132 OF THE FEDERAL "INTERNAL REVENUE CODE
9 OF 1986", AS AMENDED; PERFORMANCE OR MERIT PAYMENTS, IF APPROVED
10 BY THE BOARD; SPECIAL PAY FOR WORK-RELATED INJURIES PAID BY THE
11 EMPLOYER PRIOR TO TERMINATION OF MEMBERSHIP; AND RETROACTIVE
12 SALARY PAYMENTS PURSUANT TO COURT ORDERS, ARBITRATION AWARDS,
13 OR LITIGATION AND GRIEVANCE SETTLEMENTS.

14 **SECTION 2.** 24-51-202, Colorado Revised Statutes, is amended
15 to read:

16 **24-51-202. Board of trustees - creation - repeal.** (1) (a) There
17 is hereby created the board of trustees of the association, which shall have
18 the responsibilities, duties, and authorities as set forth in this article.

19 (b) THIS SUBSECTION (1) IS REPEALED, EFFECTIVE JANUARY 1,
20 2007.

21 (2) ON JANUARY 1, 2007, THE BOARD OF THE ASSOCIATION
22 CREATED PURSUANT TO SECTION 24-51-203 SHALL BE ABOLISHED AND THE
23 TERMS OF THE MEMBERS OF THE BOARD SERVING AS SUCH IMMEDIATELY
24 PRIOR TO JANUARY 1, 2007, SHALL BE TERMINATED.

25 **SECTION 3.** 24-51-203, Colorado Revised Statutes, is amended
26 BY THE ADDITION OF A NEW SUBSECTION to read:

27 **24-51-203. Board - composition and election - repeal.** (6) THIS

1 SECTION IS REPEALED, EFFECTIVE JANUARY 1, 2007.

2 **SECTION 4.** Part 2 of article 51 of title 24, Colorado Revised
3 Statutes, is amended BY THE ADDITION OF THE FOLLOWING NEW
4 SECTIONS to read:

5 **24-51-203.5. Board of trustees - creation - composition.**

6 (1) ON JANUARY 1, 2007, THERE IS HEREBY CREATED THE BOARD OF
7 TRUSTEES OF THE ASSOCIATION, WHICH SHALL HAVE THE
8 RESPONSIBILITIES, DUTIES, AND AUTHORITIES AS SET FORTH IN THIS
9 ARTICLE.

10 (2) THE BOARD SHALL CONSIST OF THE FOLLOWING ELEVEN
11 TRUSTEES:

12 (a) THE STATE AUDITOR AND THE STATE TREASURER;

13 (b) FOUR TRUSTEES WHO ARE MEMBERS OF THE ASSOCIATION WHO
14 SHALL BE ELECTED BY MEMBERS OF THE ASSOCIATION. OF THE FOUR
15 TRUSTEES WHO ARE MEMBERS OF THE ASSOCIATION, ONE SHALL BE A
16 MEMBER OF THE STATE DIVISION ELECTED BY MEMBERS OF THAT DIVISION;
17 ONE SHALL BE A MEMBER OF THE SCHOOL DIVISION ELECTED BY MEMBERS
18 OF THAT DIVISION; ONE SHALL BE A MEMBER OF THE LOCAL GOVERNMENT
19 DIVISION ELECTED BY MEMBERS OF THAT DIVISION; AND ONE SHALL BE A
20 MEMBER OF THE JUDICIAL DIVISION ELECTED BY MEMBERS OF THAT
21 DIVISION.

22 (c) ONE TRUSTEE WHO IS A RETIREE OF THE ASSOCIATION WHO
23 SHALL BE ELECTED BY RETIREES OF THE ASSOCIATION;

24 (d) FOUR TRUSTEES WHO ARE NOT MEMBERS OF THE ASSOCIATION
25 WHO SHALL BE APPOINTED BY THE GOVERNOR. THE FOUR TRUSTEES WHO
26 ARE APPOINTED BY THE GOVERNOR SHALL HAVE SIGNIFICANT EXPERIENCE
27 AND COMPETENCE IN INVESTMENT MANAGEMENT, FINANCE, BANKING,

1 ECONOMICS, ACCOUNTING, PENSION ADMINISTRATION, OR ACTUARIAL
2 ANALYSIS. OF THE FOUR TRUSTEES APPOINTED BY THE GOVERNOR, ONE
3 TRUSTEE SHALL BE A MEMBER OF THE COLORADO SOCIETY OF ACTUARIES,
4 ONE TRUSTEE SHALL BE A MEMBER OF THE SOCIETY OF CERTIFIED PUBLIC
5 ACCOUNTANTS WHO IS AN EXPERT IN PENSIONS, AND ONE SHALL BE A
6 MEMBER OF THE COLORADO BAR ASSOCIATION WHO IS AN EXPERT IN THE
7 FEDERAL "EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974", AS
8 AMENDED. THE COLORADO SOCIETY OF ACTUARIES, THE SOCIETY OF
9 CERTIFIED PUBLIC ACCOUNTANTS, AND THE COLORADO BAR ASSOCIATION
10 SHALL EACH SUBMIT A LIST OF RECOMMENDED PEOPLE FROM THEIR
11 RESPECTIVE ORGANIZATIONS TO SERVE ON THE BOARD. IN APPOINTING
12 THE TRUSTEES FROM THE COLORADO SOCIETY OF ACTUARIES, THE SOCIETY
13 OF CERTIFIED PUBLIC ACCOUNTANTS, AND THE COLORADO BAR
14 ASSOCIATION, THE GOVERNOR SHALL APPOINT A PERSON FROM THE
15 RECOMMENDATIONS OF EACH RESPECTIVE ORGANIZATION.

16 (3) (a) THE BOARD SHALL SET THE TIME AND MANNER FOR THE
17 ELECTION OF TRUSTEES ELECTED PURSUANT TO PARAGRAPHS (b) AND (c)
18 OF SUBSECTION (2) OF THIS SECTION. ELECTED TRUSTEES MAY BE
19 REELECTED TO THE BOARD FOR AN UNLIMITED NUMBER OF TERMS, BUT
20 SUCH TERMS SHALL NOT EXCEED FOUR YEARS.

21 (b) WHEN A VACANCY OCCURS AMONG ONE OF THE FIVE ELECTED
22 TRUSTEES, THE PERSON WHO RECEIVED THE NEXT HIGHEST NUMBER OF
23 VOTES IN THE MOST RECENT ELECTION OF TRUSTEES SHALL BE APPOINTED
24 TO SERVE AS TRUSTEE UNTIL THE NEXT ELECTION OF TRUSTEES. IF THE
25 PERSON WHO RECEIVED THE NEXT HIGHEST NUMBER OF VOTES IS UNABLE
26 OR UNWILLING TO SERVE AS A TRUSTEE OR IF THE TRUSTEE WHO CREATED
27 THE ABSENCE RAN UNOPPOSED, THE BOARD SHALL APPOINT A TRUSTEE. IN

1 EITHER CASE, THE APPOINTED TRUSTEE SHALL BE FROM THE SAME
2 DIVISION AS THE TRUSTEE WHOSE ABSENCE CREATED THE VACANCY, OR IF
3 THE TRUSTEE WHOSE ABSENCE CREATED THE VACANCY IS A RETIREE, THE
4 APPOINTED TRUSTEE SHALL BE A RETIREE.

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

10 (4) (a) THE GOVERNOR SHALL DETERMINE THE TIME AND MANNER
11 FOR THE APPOINTMENT OF TRUSTEES PURSUANT TO PARAGRAPH (d) OF
12 SUBSECTION (2) OF THIS SECTION. APPOINTED TRUSTEES MAY BE
13 REAPPOINTED TO THE BOARD FOR AN UNLIMITED NUMBER OF TERMS, BUT
14 SUCH TERMS SHALL NOT EXCEED FOUR YEARS.

15 (b) WHEN A VACANCY OCCURS AMONG ONE OF THE FOUR
16 APPOINTED TRUSTEES, THE GOVERNOR SHALL APPOINT A NEW TRUSTEE TO
17 FILL THE VACANCY AS SOON AS PRACTICABLE.

18 (c) APPOINTED TRUSTEES SHALL BE COMPENSATED _____ DOLLARS
19 PER DIEM BY THE ASSOCIATION FOR THEIR SERVICE ON THE BOARD; EXCEPT
20 THAT PER DIEM COMPENSATION FOR A SINGLE APPOINTED TRUSTEE SHALL
21 NOT EXCEED _____ DOLLARS IN ANY CALENDAR YEAR. IN ADDITION TO
22 PER DIEM COMPENSATION, APPOINTED TRUSTEES SHALL BE REIMBURSED
23 BY THE ASSOCIATION FOR ANY NECESSARY EXPENSES INCURRED IN THE
24 CONDUCT OF THEIR OFFICIAL DUTIES ON THE BOARD.

25 (5) ANY PERSON WHO HAS BEEN ADJUDICATED OF VIOLATING ANY
26 PROVISIONS OF THIS ARTICLE OR WHO HAS BEEN CONVICTED OF A FELONY
27 OR ANY CRIME INVOLVING THE MISAPPROPRIATION OF FUNDS IS

1 PROHIBITED FROM BEING ELECTED TO, APPOINTED TO, OR CONTINUING TO
2 SERVE ON THE BOARD.

3 **24-51-207.5. Board of trustees - negligence.** BEGINNING ON
4 JANUARY 1, 2007, IF THE STATE AUDITOR DETERMINES THAT THE
5 ASSOCIATION IS NOT ACTUARIALLY SOUND, AS DEFINED IN SECTION
6 24-51-211, FOR THREE CONSECUTIVE YEARS, THE BOARD SHALL BE
7 DEEMED NEGLIGENT IN CARRYING OUT ITS DUTIES, AND THE TERMS OF ALL
8 OF THE ELECTED AND APPOINTED TRUSTEES ON THE BOARD SHALL BE
9 TERMINATED. AS SOON AS PRACTICABLE, THE MEMBERS OF THE
10 ASSOCIATION SHALL ELECT FOUR NEW TRUSTEES, EACH TO SERVE A
11 TWO-YEAR TERM ON THE BOARD, THE RETIREES SHALL ELECT A NEW
12 TRUSTEE TO SERVE A TWO-YEAR TERM ON THE BOARD, AND THE
13 GOVERNOR SHALL APPOINT FOUR NEW TRUSTEES, EACH TO SERVE A
14 TWO-YEAR TERM ON THE BOARD. AFTER THE EXPIRATION OF THE
15 TWO-YEAR TERMS, THE MEMBERS OF THE ASSOCIATION SHALL ELECT FOUR
16 NEW TRUSTEES PURSUANT TO SECTION 24-51-203.5 (2) (b), THE RETIREES
17 SHALL ELECT A NEW TRUSTEE PURSUANT TO 24-51-203.5 (2) (c), AND THE
18 GOVERNOR SHALL APPOINT FOUR NEW TRUSTEES PURSUANT TO SECTION
19 24-51-203.5 (2) (d). A TRUSTEE WHO HAS BEEN DEEMED NEGLIGENT
20 PURSUANT TO THIS SECTION SHALL NOT BE ELECTED OR APPOINTED TO
21 SERVE ADDITIONAL TERMS AS A TRUSTEE.

22 **SECTION 5.** 24-51-204, Colorado Revised Statutes, is amended
23 BY THE ADDITION OF A NEW SUBSECTION to read:

24 **24-51-204. Duties of the board.** (6.5) THE BOARD SHALL HIRE
25 AND SET THE COMPENSATION FOR AN INTERNAL AUDITOR OF THE
26 ASSOCIATION.

27 **SECTION 6.** 24-51-211, Colorado Revised Statutes, is amended

1 to read:

2 **24-51-211. Amortization of liabilities.** An amortization period
3 for each of the state division, school division, local government division,
4 and judicial division trust funds shall be calculated separately. A
5 maximum amortization period of forty years shall be deemed actuarially
6 sound; EXCEPT THAT, ON AND AFTER JUNE 13, 2006, A MAXIMUM
7 AMORTIZATION PERIOD OF THIRTY YEARS SHALL BE DEEMED ACTUARIALLY
8 SOUND. Upon recommendation of the board, and with the advice of the
9 actuary, the employer or member contribution rates for the plan may be
10 adjusted by the general assembly when indicated by actuarial experience.

11 **SECTION 7.** Part 2 of article 51 of title 24, Colorado Revised
12 Statutes, is amended BY THE ADDITION OF A NEW SECTION to
13 read:

14 **24-51-211.5. Actuarial necessity.** AN ACTUARIAL NECESSITY
15 SHALL EXIST FOR THE ASSOCIATION WHEN THE DEFINED BENEFIT PLAN IS
16 NOT ACTUARIALLY SOUND PURSUANT TO SECTION 24-51-211. IN THE
17 EVENT OF AN ACTUARIAL NECESSITY, THE GENERAL ASSEMBLY MAY BY
18 LAW MODIFY EMPLOYER AND EMPLOYEE CONTRIBUTIONS MADE PURSUANT
19 TO PART 4 OF THIS ARTICLE AND THE BENEFITS ALLOWED TO MEMBERS OF
20 THE DEFINED BENEFIT PLAN, SO LONG AS THE BENEFITS OF MEMBERS WHO
21 ARE ELIGIBLE FOR A SERVICE RETIREMENT BENEFIT OR A REDUCED SERVICE
22 RETIREMENT BENEFIT UNDER THE DEFINED BENEFIT PLAN PURSUANT TO
23 SECTIONS 24-51-602 AND 24-51-604, RESPECTIVELY, ARE NOT MODIFIED.

24 **SECTION 8.** 24-51-216, Colorado Revised Statutes, is amended
25 to read:

26 **24-51-216. Legal adviser.** (1) The attorney general shall be the
27 legal adviser to the board AND SHALL NOT DELEGATE HIS OR HER

1 RESPONSIBILITIES AS LEGAL ADVISOR TO THE BOARD TO ANY LEGAL
2 ADVISOR OR IN-HOUSE COUNSEL HIRED BY THE ASSOCIATION.

3 (2) THE ASSOCIATION MAY HIRE LEGAL ADVISORS TO SERVE AS
4 IN-HOUSE COUNSEL FOR THE ASSOCIATION'S STAFF.

5 **SECTION 9.** 24-51-401 (1.7) (a), Colorado Revised Statutes, is
6 amended, and the said 24-51-401 is further amended BY THE
7 ADDITION OF A NEW SUBSECTION, to read:

8 **24-51-401. Employer and member contributions.**

9 (1.7) (a) (I) FOR MEMBERS HIRED BEFORE JANUARY 1, 2007, employers
10 shall deliver a contribution report and the full amount of employer and
11 member contributions to the association within five days after the date
12 members and retirees are paid. Except as provided in subsections (1.8)
13 and (7) of this section and sections 22-64-220 (4) (j), C.R.S., and
14 24-51-408.5, such contributions shall be based upon the rates for the
15 appropriate division as set forth in the following table multiplied by the
16 salary, as defined in section 24-51-101 (42), paid to members and retirees
17 for the payroll period:

18 **TABLE A**
19 **CONTRIBUTION RATES**

20	Division	Membership	Employer Rate	Member Rate
21	State	All Members	10.15%	8.0%
22		Except		
23		State Troopers	12.85%	10.0%
24	School	All Members		
25		1/1/2006 through	10.15%	8.0%
26		12/31/2012		
27		1/1/2013 and	10.55%	8.0%

1 thereafter

2 Local

3 Government All Members 10.0% 8.0%

4 Judicial All Members 13.66% 8.0%

5 (II) FOR MEMBERS HIRED ON OR AFTER JANUARY 1, 2007,
6 EMPLOYERS SHALL DELIVER A CONTRIBUTION REPORT AND THE FULL
7 AMOUNT OF EMPLOYER AND MEMBER CONTRIBUTIONS TO THE
8 ASSOCIATION WITHIN FIVE DAYS AFTER THE DATE MEMBERS AND RETIREES
9 ARE PAID. EXCEPT AS PROVIDED IN SUBSECTIONS (1.8), (7), AND (8) OF
10 THIS SECTION AND SECTIONS 22-64-220 (4) (j), C.R.S., AND 24-51-408.5,
11 SUCH CONTRIBUTIONS SHALL BE AS FOLLOWS:

12 (A) FOR ALL MEMBERS, REGARDLESS OF MEMBERSHIP DIVISION,
13 THE MEMBER CONTRIBUTION RATE SHALL BE SEVEN PERCENT MULTIPLIED
14 BY THE MEMBER'S SALARY, AS DEFINED IN SECTION 24-51-101 (42), PAID
15 TO THE MEMBER FOR THE PAYROLL PERIOD.

16 (B) FOR ALL EMPLOYERS, REGARDLESS OF MEMBERSHIP DIVISION
17 OF THE MEMBERS, THE EMPLOYER CONTRIBUTION RATE SHALL BE SEVEN
18 PERCENT MULTIPLIED BY THE MEMBER'S SALARY, AS DEFINED IN SECTION
19 24-51-101 (42), PAID TO THE MEMBER FOR THE PAYROLL PERIOD.

20 (8) IF THE ACTUARIAL VALUE OF ASSETS OF THE MEMBERS HIRED
21 ON OR AFTER JANUARY 1, 2007, DECLINES BELOW NINETY PERCENT OF THE
22 ACTUARIAL ACCRUED LIABILITIES OF THE ASSOCIATION FOR SUCH
23 MEMBERS AND THE GENERAL ASSEMBLY INCREASES THE EMPLOYER
24 CONTRIBUTION RATE IN ORDER TO MAKE THE ASSOCIATION ACTUARIALLY
25 SOUND, THE GENERAL ASSEMBLY SHALL ENSURE THAT THE MEMBER
26 CONTRIBUTION RATE IS ALSO INCREASED BY A PERCENTAGE THAT IS
27 DOUBLE THE PERCENTAGE INCREASE OF THE EMPLOYER CONTRIBUTION.

1 **SECTION 10.** Part 4 of article 51 of title 24, Colorado Revised
2 Statutes, is amended BY THE ADDITION OF A NEW SECTION to
3 read:

4 **24-51-412. Supplemental employer contribution -**
5 **amortization equalization.** (1) FOR MEMBERS HIRED BEFORE JANUARY
6 1, 2007, FOR THE 2007-08 STATE FISCAL YEAR THROUGH THE 2009-10
7 STATE FISCAL YEAR, FROM THE AMOUNT OF RECOMMENDED CHANGES TO
8 STATE EMPLOYEES' SALARIES AND ANY ADJUSTMENTS TO THE
9 RECOMMENDED CHANGES MADE BY THE GENERAL ASSEMBLY IN THE
10 ANNUAL GENERAL APPROPRIATION ACT PURSUANT TO SECTION 24-50-104
11 (4) (d), AN AMOUNT EQUAL TO ONE PERCENT OF EACH MEMBER'S SALARY
12 SHALL BE DEDUCTED FROM EACH MEMBER'S CHANGE IN SALARY AND SUCH
13 AMOUNT SHALL BE APPROPRIATED TO THE ASSOCIATION AS A
14 SUPPLEMENTAL EMPLOYER CONTRIBUTION TO THE ASSOCIATION. EACH
15 EMPLOYER SHALL DELIVER TO THE ASSOCIATION THE SUPPLEMENTAL
16 EMPLOYER CONTRIBUTION FOR EACH MEMBER WHO IS EMPLOYED BY THE
17 EMPLOYER PURSUANT TO THE SAME PROCEDURES SPECIFIED FOR
18 EMPLOYER CONTRIBUTIONS IN SECTION 24-51-401 (1.7).

19 (2) IF THE AMOUNT OF THE RECOMMENDED CHANGES TO STATE
20 EMPLOYEES' SALARIES AND ANY ADJUSTMENTS TO THE RECOMMENDED
21 CHANGES MADE BY THE GENERAL ASSEMBLY IN THE ANNUAL GENERAL
22 APPROPRIATION ACT PURSUANT TO SECTION 24-50-104 (4) (d) IS LESS
23 THAN ONE PERCENT OF EMPLOYEES' SALARIES, THEN THE TOTAL AMOUNT
24 OF THE RECOMMENDED CHANGES TO EMPLOYEES' SALARIES AND ANY
25 ADJUSTMENTS TO THE RECOMMENDED CHANGES MADE BY THE GENERAL
26 ASSEMBLY IN THE ANNUAL GENERAL APPROPRIATION ACT SHALL BE
27 APPROPRIATED TO THE ASSOCIATION IN ORDER TO MAKE THE

1 SUPPLEMENTAL EMPLOYER CONTRIBUTION REQUIRED PURSUANT TO
2 SUBSECTION (1) OF THIS SECTION.

3 (3) THE SUPPLEMENTAL EMPLOYER CONTRIBUTION SHALL BE IN
4 ADDITION TO THE AMORTIZATION EQUALIZATION DISBURSEMENT
5 REQUIRED PURSUANT TO SECTION 24-51-411 AND SHALL NOT BE SUBJECT
6 TO THE LIMITATIONS IMPOSED ON SUCH DISBURSEMENT.

7 **SECTION 11.** Part 5 of article 51 of title 24, Colorado Revised
8 Statutes, is amended BY THE ADDITION OF A NEW SECTION to
9 read:

10 **24-51-510. Purchase of service credit - cost.** ON AND AFTER
11 NOVEMBER 1, 2005, THE COST TO PURCHASE SERVICE CREDIT SHALL BE
12 BASED ON THE ACTUARIAL COST OF PROVIDING THE FUTURE BENEFIT
13 RESULTING FROM THE PURCHASE. THE ACTUARIAL COST SHALL BE
14 DETERMINED BY THE MEMBER'S AGE AT THE TIME OF PURCHASE AND THE
15 DIVISION OF THE MEMBER'S MEMBERSHIP IN THE ASSOCIATION.

16 **SECTION 12.** 24-51-602 (1), Colorado Revised Statutes, is
17 amended BY THE ADDITION OF A NEW PARAGRAPH to read:

18 **24-51-602. Service retirement eligibility.**

19 (1) (a.7) NOTWITHSTANDING PARAGRAPHS (a) AND (a.5) OF THIS
20 SUBSECTION (1), ANY PERSON EXCEPT A STATE TROOPER WHO BECOMES A
21 MEMBER ON OR AFTER JANUARY 1, 2007, AND ANY PERSON WHO BECAME
22 A MEMBER BEFORE JANUARY 1, 2007, BUT WHO IS LESS THAN FORTY
23 YEARS OF AGE ON JANUARY 1, 2007, AND WHOSE BENEFITS HAVE NOT
24 VESTED ON OR BEFORE SUCH DATE SHALL, UPON WRITTEN APPLICATION
25 AND APPROVAL OF THE BOARD, RECEIVE SERVICE RETIREMENT BENEFITS
26 PURSUANT TO THE BENEFIT FORMULA SET FORTH IN SECTION 24-51-603 (1)
27 (c) AND (3) IF THE MEMBER HAS MET THE AGE AND SERVICE CREDIT

1 REQUIREMENTS STATED IN THE FOLLOWING TABLE:

2

TABLE B.07

3

SERVICE RETIREMENT ELIGIBILITY

4

Age Requirement

Service Credit

5

Requirement

6

(years)

(years)

7

Any age

35

8

60

30

9

65

5

10

SECTION 13. 24-51-603 (1) (a) and (3) (c), Colorado Revised

11

Statutes, are amended, and the said 24-51-603 (1) is further amended BY

12

THE ADDITION OF A NEW PARAGRAPH, to read:

13

24-51-603. Benefit formula for service retirement. (1) (a) FOR

14

MEMBERS WHO ARE HIRED BEFORE JANUARY 1, 2007, except as otherwise

15

provided in subsection (2) of this section, ~~effective July 1, 1997,~~ the

16

option 1 benefit for service retirement for members shall be calculated by

17

multiplying the highest average salary by two and one-half percent times

18

each year and fraction of a year of service credit. The following formula

19

shall be used for this calculation:

20

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

21

(c) FOR MEMBERS WHO ARE HIRED ON OR AFTER JANUARY 1, 2007,

22

EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2) OF THIS SECTION, THE

23

OPTION 1 BENEFIT FOR SERVICE RETIREMENT FOR MEMBERS SHALL BE

24

CALCULATED BY MULTIPLYING THE HIGHEST AVERAGE SALARY BY TWO

25

AND ONE-TENTH PERCENT TIMES EACH YEAR AND FRACTION OF A YEAR OF

26

SERVICE CREDIT. THE FOLLOWING FORMULA SHALL BE USED FOR THIS

27

CALCULATION:

1 HIGHEST AVERAGE SALARY X (.021 X YEARS AND FRACTION OF A
2 YEAR).

3 (3) (c) Except as provided in subsection (2) of this section, on July
4 1, 1997, for benefit recipients whose benefits became effective prior to
5 July 1, 1997, the association shall recalculate each recipient's option 1
6 base benefit as set forth in PARAGRAPH (a) OF subsection (1) of this
7 section, prospectively for benefit payments payable on or after July 1,
8 1997. The association shall provide benefits to all such benefit recipients
9 based upon such recalculated base benefits effective July 1, 1997.

10 **SECTION 14.** 24-51-605 (1) and the introductory portion to
11 24-51-605 (3), Colorado Revised Statutes, are amended, and the said
12 24-51-605 is further amended BY THE ADDITION OF A NEW
13 SUBSECTION, to read:

14 **24-51-605. Benefit formula for reduced service retirement.**

15 (1) (a) ~~On and after July 1, 1998,~~ For a member WHO IS HIRED BEFORE
16 JANUARY 1, 2007, who is a state trooper, and who retires upon reaching
17 fifty years of age or older but before reaching sixty years of age, a
18 reduced service retirement benefit shall be the option 1 benefit for service
19 retirement, as calculated according to the formula set forth in ~~section~~
20 ~~24-51-603~~ SECTION 24-51-603 (1) (a), reduced by three percent for each
21 year and a proportional percentage for each fraction of a year from the
22 effective date of reduced service retirement to the date the member would
23 have become eligible for a service retirement pursuant to the provisions
24 of section 24-51-602 (1).

25 (b) ~~On and after July 1, 1998,~~ For a member WHO IS HIRED BEFORE
26 JANUARY 1, 2007, who is not a state trooper, and who retires upon
27 reaching fifty-five years of age or older but before reaching sixty years of

1 age, a reduced service retirement benefit shall be the option 1 benefit for
2 service retirement, as calculated according to the formula set forth in
3 ~~section 24-51-603~~ SECTION 24-51-603 (1) (a), reduced by three percent for
4 each year and a proportional percentage for each fraction of a year from
5 the effective date of reduced service retirement to the date the member
6 would have become eligible for a service retirement pursuant to the
7 provisions of section 24-51-602 (1).

8 (c) ~~On and after July 1, 1998~~, For a member WHO IS HIRED BEFORE
9 JANUARY 1, 2007, who is not a state trooper, and who retires upon
10 reaching sixty years of age or older but before reaching sixty-five years
11 of age, a reduced service retirement benefit shall be the option 1 benefit
12 for service retirement, as calculated according to the formula set forth in
13 ~~section 24-51-603~~ SECTION 24-51-603 (1) (a), reduced by four percent for
14 each year and a proportional percentage for each fraction of a year from
15 the effective date of reduced service retirement to the date the member
16 would have become eligible for a service retirement pursuant to the
17 provisions of section 24-51-602 (1).

18 (3) Notwithstanding the provisions of subsection (1) of this
19 section, ~~on and after July 1, 1993~~, for a member WHO IS HIRED BEFORE
20 JANUARY 1, 2007, who is not a state trooper and who retires upon
21 reaching fifty years of age or older but before reaching fifty-five years of
22 age, a reduced service retirement benefit shall be the option 1 benefit for
23 service retirement, as calculated according to the formula set forth in
24 ~~section 24-51-603~~ SECTION 24-51-603 (1) (a), reduced by:

25 (4) FOR MEMBERS WHO ARE HIRED ON OR AFTER JANUARY 1, 2007,
26 A REDUCED SERVICE BENEFIT SHALL BE CALCULATED AS FOLLOWS:

27 (a) FOR A MEMBER WHO IS A STATE TROOPER AND WHO RETIRES

1 UPON REACHING FIFTY YEARS OF AGE OR OLDER BUT BEFORE REACHING
2 SIXTY YEARS OF AGE, A REDUCED SERVICE RETIREMENT BENEFIT SHALL BE
3 THE OPTION 1 BENEFIT FOR SERVICE RETIREMENT, AS CALCULATED
4 ACCORDING TO THE FORMULA SET FORTH IN SECTION 24-51-603 (1) (c),
5 REDUCED BY FOUR PERCENT FOR EACH YEAR AND A PROPORTIONAL
6 PERCENTAGE FOR EACH FRACTION OF A YEAR FROM THE EFFECTIVE DATE
7 OF REDUCED SERVICE RETIREMENT TO THE DATE THE MEMBER WOULD
8 HAVE BECOME ELIGIBLE FOR A SERVICE RETIREMENT PURSUANT TO THE
9 PROVISIONS OF SECTION 24-51-602 (1).

10 (b) FOR A MEMBER WHO IS NOT A STATE TROOPER AND WHO
11 RETIRES UPON REACHING SIXTY YEARS OF AGE OR OLDER BUT BEFORE
12 REACHING SIXTY-FIVE YEARS OF AGE, A REDUCED SERVICE RETIREMENT
13 BENEFIT SHALL BE THE OPTION 1 BENEFIT FOR SERVICE RETIREMENT, AS
14 CALCULATED ACCORDING TO THE FORMULA SET FORTH IN SECTION
15 24-51-603 (1) (c), REDUCED BY FIVE PERCENT FOR EACH YEAR AND A
16 PROPORTIONAL PERCENTAGE FOR EACH FRACTION OF A YEAR FROM THE
17 EFFECTIVE DATE OF REDUCED SERVICE RETIREMENT TO THE DATE THE
18 MEMBER WOULD HAVE BECOME ELIGIBLE FOR A SERVICE RETIREMENT
19 PURSUANT TO THE PROVISIONS OF SECTION 24-51-602 (1).

20 (c) FOR A MEMBER WHO IS NOT A STATE TROOPER AND WHO
21 RETIRES UPON REACHING FIFTY-FIVE YEARS OF AGE OR OLDER BUT BEFORE
22 REACHING SIXTY YEARS OF AGE, A REDUCED SERVICE RETIREMENT
23 BENEFIT SHALL BE THE OPTION 1 BENEFIT FOR SERVICE RETIREMENT, AS
24 CALCULATED ACCORDING TO THE FORMULA SET FORTH IN SECTION
25 24-51-603 (1) (c), REDUCED BY FOUR PERCENT FOR EACH YEAR AND A
26 PROPORTIONAL PERCENTAGE FOR EACH FRACTION OF A YEAR FROM THE
27 EFFECTIVE DATE OF REDUCED SERVICE RETIREMENT TO THE DATE THE

1 MEMBER WOULD HAVE BECOME ELIGIBLE FOR A SERVICE RETIREMENT
2 PURSUANT TO THE PROVISIONS OF SECTION 24-51-602 (1).

3 (d) FOR A MEMBER WHO IS NOT A STATE TROOPER AND WHO
4 RETIRES UPON REACHING FIFTY YEARS OF AGE OR OLDER BUT BEFORE
5 REACHING FIFTY-FIVE YEARS OF AGE, A REDUCED SERVICE RETIREMENT
6 BENEFIT SHALL BE THE OPTION 1 BENEFIT FOR SERVICE RETIREMENT, AS
7 CALCULATED ACCORDING TO THE FORMULA SET FORTH IN SECTION
8 24-51-603 (1) (c), REDUCED BY:

9 (I) SEVEN PERCENT FOR EACH YEAR AND A PROPORTIONAL
10 PERCENTAGE FOR EACH FRACTION OF A YEAR FROM THE EFFECTIVE DATE
11 OF REDUCED SERVICE RETIREMENT TO THE DATE THE MEMBER WOULD
12 HAVE REACHED FIFTY-FIVE YEARS OF AGE, OR THE DATE THE MEMBER
13 WOULD HAVE BECOME ELIGIBLE FOR A SERVICE RETIREMENT PURSUANT TO
14 THE PROVISIONS OF SECTION 24-51-602 (1), IF EARLIER THAN FIFTY-FIVE
15 YEARS OF AGE; AND

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

22 **SECTION 15.** 24-51-1001 (1), Colorado Revised Statutes, is
23 amended to read:

24 **24-51-1001. Types of benefit increases.** (1) EXCEPT AS
25 OTHERWISE PROVIDED IN SECTION 24-51-1002 (3), annual increases in
26 retirement benefits and survivor benefits shall occur on March 1 if said
27 benefits have been paid for at least three months preceding March 1.

1 Such increases in benefits shall be calculated in accordance with the
2 provisions of sections 24-51-1002 and 24-51-1003 and shall be paid from
3 the division trust funds.

4 **SECTION 16.** 24-51-1002, Colorado Revised Statutes, is
5 amended BY THE ADDITION OF A NEW SUBSECTION to read:

6 **24-51-1002. Annual percentages to be used.**

7 (3) NOTWITHSTANDING THE PROVISIONS OF SUBSECTION (1) OF THIS
8 SECTION, FOR MEMBERS WHO ARE HIRED ON OR AFTER JANUARY 1, 2007,
9 THE INCREASE APPLIED TO BENEFITS PURSUANT TO SUBSECTION (1) OF THIS
10 SECTION SHALL OCCUR ONLY IF THE ASSOCIATION IS ACTUARIALLY
11 OVERFUNDED BASED ON THE AMORTIZATION PERIOD SPECIFIED IN SECTION
12 24-51-211 AND IF TWO-THIRDS OF THE BOARD VOTES IN FAVOR OF
13 ALLOWING THE INCREASE TO OCCUR. THE BOARD SHALL VOTE EACH YEAR
14 IN WHICH THE ASSOCIATION IS OVERFUNDED TO DETERMINE WHETHER THE
15 INCREASE SHALL OCCUR.

16 **SECTION 17.** Part 10 of article 51 of title 24, Colorado Revised
17 Statutes, is amended BY THE ADDITION OF A NEW SECTION to
18 read:

19 **24-51-1009. Increase in benefits - actuarial study required.**

20 (1) BEFORE INCREASING BENEFITS FOR ANY MEMBER OR RETIREE, THE
21 GENERAL ASSEMBLY SHALL CAUSE TO BE CONDUCTED PURSUANT TO
22 SUBSECTION (2) OF THIS SECTION AN ACTUARIAL STUDY TO ENSURE THAT
23 THE INCREASES IN BENEFITS WOULD NOT CAUSE THE ACTUARIAL VALUE OF
24 ASSETS OF THE ASSOCIATION TO DECLINE BELOW NINETY PERCENT OF THE
25 ACTUARIAL ACCRUED LIABILITIES OF THE ASSOCIATION.

26 (2) UPON DIRECTION FROM THE PRESIDENT OF THE SENATE AND
27 THE SPEAKER OF THE HOUSE OF REPRESENTATIVES, THE DIRECTOR OF

1 RESEARCH OF THE LEGISLATIVE COUNCIL SHALL CONTRACT WITH A
2 PRIVATE PERSON TO CONDUCT AN ACTUARIAL ASSESSMENT OF THE
3 ASSOCIATION. THE STUDY SHALL BE CONDUCTED TO DETERMINE
4 WHETHER AND TO WHAT EXTENT AN INCREASE IN THE BENEFITS OF
5 MEMBERS AND RETIREES WOULD CAUSE THE ACTUARIAL VALUE OF THE
6 ASSETS OF THE ASSOCIATION TO DECLINE BELOW NINETY PERCENT OF THE
7 ACTUARIAL ACCRUED LIABILITIES OF THE ASSOCIATION. THE STUDY SHALL
8 BE COMPLETED AND A FINAL REPORT OF ITS FINDINGS AND CONCLUSIONS
9 SHALL BE SUBMITTED TO THE GENERAL ASSEMBLY AS SOON AS
10 PRACTICABLE. THE PERSON CONDUCTING THE ACTUARIAL ASSESSMENT OF
11 THE ASSOCIATION AND SUCH PERSON'S EMPLOYEES SHALL, DURING THE
12 TERM OF THE CONTRACT, HAVE ACCESS TO ANY NECESSARY DOCUMENTS
13 AND INFORMATION IN THE CUSTODY OF THE ASSOCIATION.

14 **SECTION 18.** 24-51-1502 (2), Colorado Revised Statutes, is
15 amended to read:

16 **24-51-1502. New state employees - election - definitions.**

17 (2) (a) For purposes of this part 15, "eligible employee" means an
18 employee of an employer as defined in section 24-52-202 (5) ~~who is hired~~
19 ~~on or after January 1, 2006, and who, if not commencing employment in~~
20 ~~a state elected official's position, has not been a member of the~~
21 ~~association or an active participant in a defined contribution plan~~
22 ~~established pursuant to part 2 of article 52 of this title during the twelve~~
23 ~~months prior to the date that he or she commences employment. "Eligible~~
24 ~~employee" includes a retiree of the association who is serving in a state~~
25 ~~elected official's position, but does not include any other retiree of the~~
26 ~~association or a retiree of the association who has suspended benefits OR~~
27 AN EMPLOYEE OF AN EMPLOYER AS DEFINED IN SECTION 24-51-101 (20)

1 WHO WORKS IN A POSITION THAT IS SUBJECT TO MEMBERSHIP IN THE
2 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION AND FOR WHOM
3 CONTRIBUTIONS ARE MADE.

4 (b) ~~An employee who is covered by a defined contribution plan~~
5 ~~pursuant to article 54.6 of this title or who is an employee of any state~~
6 ~~college or university as defined in section 24-54.5-102 (7), any institution~~
7 ~~under the control of the board of regents of the university of Colorado, or~~
8 ~~an institution governed pursuant to part 5 of article 21 of title 23, C.R.S.,~~
9 ~~shall not be eligible to make the election pursuant to subsection (1) of this~~
10 ~~section.~~

11 **SECTION 19.** 24-51-1505 (1), Colorado Revised Statutes, is
12 amended to read:

13 **24-51-1505. Contributions - vesting.** (1) FOR ELIGIBLE
14 EMPLOYEES WHO WERE MEMBERS OF THE DEFINED CONTRIBUTION PLAN
15 ESTABLISHED PURSUANT TO THIS PART 15 PRIOR TO JANUARY 1, 2007, THE
16 contribution rates to the ~~defined contribution~~ plan by the state and by
17 members of the ~~defined contribution~~ plan ~~established pursuant to this part~~
18 ~~15~~ shall be the same as the rates that would be payable by the state and
19 the member pursuant to ~~section 24-51-401~~ SECTION 24-51-401 (1.7) (a)
20 (I). FOR ELIGIBLE EMPLOYEES WHO BECOME MEMBERS OF THE PLAN ON OR
21 AFTER JANUARY 1, 2007, THE CONTRIBUTION RATES TO THE PLAN BY THE
22 STATE AND BY MEMBERS OF THE PLAN SHALL BE THE SAME AS THE RATES
23 THAT WOULD BE PAYABLE BY THE STATE AND THE MEMBERS PURSUANT TO
24 SECTION 24-51-401 (1.7) (a) (II).

25 **SECTION 20.** 24-51-1506 (2), Colorado Revised Statutes, is
26 amended to read:

27 **24-51-1506. Additional choices within first five years.** (2) A

1 member who elects to join the defined benefit plan pursuant to subsection
2 (1) of this section ~~may, upon meeting the requirements of section~~
3 ~~24-51-505, purchase service credit for the period of employment covered~~
4 ~~by the defined contribution plan. The cost to purchase such service shall~~
5 ~~be the same as the cost determined by the board for the purchase of~~
6 ~~noncovered employment.~~ SHALL HAVE THE OPTION TO RECEIVE SERVICE
7 CREDIT FOR THE TOTAL NUMBER OF YEARS AND MONTHS THAT THE
8 MEMBER WAS IN THE DEFINED CONTRIBUTION PLAN OR TO PURCHASE
9 SERVICE CREDIT PURSUANT TO SECTION 24-51-505 FOR THE NUMBER OF
10 YEARS AND MONTHS THAT CAN BE PURCHASED WITH THE VALUE OF THE
11 MEMBER'S ACCOUNT, AT FULL ACTUARIAL COST, IN THE DEFINED
12 CONTRIBUTION PLAN. IF THE MEMBER ELECTS TO PURCHASE SERVICE
13 CREDIT, the member may elect to have any portion of the member's
14 account paid from the defined contribution plan to the defined benefit
15 plan to facilitate the purchase of service credit through a direct rollover
16 in accordance with section 401 (a) (31) of the federal "Internal Revenue
17 Code of 1986", as amended. The member may not be vested in the
18 defined contribution plan upon purchasing service credit for employment
19 that was covered by the defined contribution plan.

20 **SECTION 21.** 24-52-203 (8), Colorado Revised Statutes, is
21 amended to read:

22 **24-52-203. Establishment and administration of defined**
23 **contribution plans.** (8) (a) On or after January 1, 2006, the committee,
24 in its sole discretion, may provide optional coverage for disability,
25 survivor, retiree health care, life insurance, and long-term care benefits
26 to plan participants. The committee may choose to permit plan
27 participants to participate in any benefit that the association may offer

1 pursuant to section 24-51-1506 (3) or 24-51-1509 (3), and any optional
2 life insurance or long-term care insurance that the association may offer
3 pursuant to section 24-51-1509 (2). If the association offers and the
4 committee chooses such benefits, the association shall make any such
5 chosen benefits available to plan participants on the same cost, benefit,
6 and administrative basis as available to members of the association's
7 defined contribution plan.

8 (b) ON OR AFTER JANUARY 1, 2007, THE COMMITTEE, IN ITS SOLE
9 DISCRETION, MAY SELECT ONE OR MORE PRIVATE VENDORS TO PROVIDE
10 OPTIONAL COVERAGE FOR DISABILITY AND SURVIVOR BENEFITS TO PLAN
11 PARTICIPANTS. IF THE COMMITTEE CHOOSES TO OFFER SUCH BENEFITS,
12 THE COMMITTEE SHALL DETERMINE WHETHER THE BENEFITS WILL BE
13 OFFERED WITHIN THE EXISTING MEMBER CONTRIBUTION RATE OR
14 THROUGH AN INCREASE IN THE MEMBER CONTRIBUTION RATE.

15 **SECTION 22. Effective date.** Sections 5, 8, 15, 18, 19, 20, and
16 21 of this act shall take effect January 1, 2007, and the remainder of this
17 act shall take effect upon passage.

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