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Proposed PERA changes to be voted on by the legislature. See what they mean for you. [1]

December 1, 2017 by Employee Services [2]

If you're a University of Colorado Employee enrolled in the Colorado PERA retirement plan, you'll want to know more about proposed changes to PERA's defined benefit retirement system. Many changes, if approved by the Colorado General Assembly, will affect you.

On Sept. 22, the Colorado PERA Board of Trustees voted to endorse a package of reforms to reduce risk and improve PERA's funded status. Intended to reduce the amount of time it will take PERA to be fully funded, the reforms will change the plan's benefit provisions and contribution structure.

Change #1: Benefits modifications for current retirees, members and future members

Proposed changes:

- The number of years used to calculate "Highest Average Salary" will increase from three to five.
- For new hires starting in 2020 and for members with less than five years of service credit by Jan. 1, 2020, five years of salaries will be included in the calculation of average salary used to determine the total retirement benefit.
- The eligibility age for full service retirement benefits will change to age 65 for new hires starting in 2020.
- The Cost of Living Adjustment (COLA) provided to current and future retirees will be reduced.
    - Current retirees will received a 1.5 percent increase, down from the current 2 percent.
    - Members who joined PERA after 2006 currently have their annual COLA based upon the consumer price index, with an annual 2 percent limit. This will be capped at 1.5 percent annually, starting on the date the legislation is passed.
    - Current benefit recipients have a one-year waiting period after retirement to receive a COLA increase. Future retirees will have a three-year waiting period.

Change #2: Increased contributions into the fund.

Proposed changes:

- Employee contributions for members hired before Jan. 1, 2020 would increase by 3 percent above current contribution rates.
- For members hired on or after Jan. 1, 2020, contributions would increase by an additional 2 percent.

- Employer contributions would increase by 2 percent above current rates.

Change #3: The definition of “PERA-includable salary” will change

Proposed changes:

- PERA will collect contributions on salary that includes Internal Revenue Code section 125 and 132 deductions. This means PERA contributions will be made on gross pay rather than net pay. This change will apply to both employee and employer contributions by and for current and future PERA members.
- Future PERA members will earn service credit for part-time work based on the percentage of full-time employment they actually work.
- PERA has proposed a mechanism by which employer and employee contributions, as well as COLA amounts, will adjust based on the fund’s financial condition.

We encourage CU employees enrolled in PERA to learn more about proposed changes. For more information, visit www.copera.org [3]

PERA [4]
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