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PERA annual report

August

Public Employees' Retirement Association

1978

ASSOCIATION INVESTMENTS

During the past fiscal year the percent of PERA's investments in corporate bonds and U.S. government securities has increased, and its investments in corporate stocks, mortgages, U.S. guaranteed and U.S. agency and other holdings have decreased. This is shown in the following chart:

June 30, 1978, and 1977 (At Cost)

	1978	1977
Corporate Bonds	56.9%	53.5%
Corporate Stocks	15.3	15.8
Mortgages	11.4	13.6
U.S. Government	8.0	6.3
U.S. Guaranteed and Agencies	4.1	6.0
Other Holdings	4.3	4.8
	100.0%	100.0%

The shifts are reflective of these three factors: (1) significantly higher interest rates; (2) changing relative values between and within fixed-income classes, particularly the increased attractiveness of corporate bonds and U.S. government securities compared to mortgages and U.S. guaranteed and agencies, and (3) greater uncertainties concerning common stocks.

Be sure to keep your address current with the PERA Office. And also remember to change your beneficiary with this office if it becomes necessary. These addresses are used for PERA Board elections, individualized PERA earnings reports, and other important information.

The corporate stock percentage was reduced primarily through lowering the percent of cash flow invested in common stocks and through sales in the final quarter of the fiscal year. Prior to the fourth quarter of the fiscal year, mortgage rates lagged the general increase in interest rates, however, significant increases have recently transpired and mortgages once again represent attractive relative investment values.

For the year ended June 30, 1978, the average yield (based on cost) was 7.88 percent for the fixed income portfolio compared to 7.55 percent for the year ended June 30, 1977; and the average interest coupon increased to 7.46 percent from 7.13 percent.

The Retirement Board has increased investments in Colorado by approving recommendations of the investment staff to place greater emphasis on potential Colorado investments. PERA's investments and commitments in Colorado have increased 38 percent from \$125 million to approximately \$172 million during the fiscal year. Additional investments in Colorado are presently under consideration.

As PERA begins a new year, doubts and concerns abound. While there is uncertainty as to whether the domestic economy can sustain its lengthy recovery from the severe economic distortions of 1974 and 1975, even greater concern must be placed on inflation as it affects every part and phase of our economy. The

consumer, whether he is actively employed or retired, feels the "pinch" of inflation. The retiree is specifically impacted with a relatively fixed income base. The same uncertainty about inflation causes investment decisions to become more difficult.

Inflation is not just a current problem, but one of anticipation and, over time, must be dealt with by lowering demands and expectations from all sectors of the economy. It is expected that real economic growth will be slower during the next twelve to eighteen months, and it is believed that inflation will moderate, particularly in the food area. PERA's investment portfolio has, accordingly, been structured to reflect the present economic outlook.

An in-depth statistical investment report will be included in the *Statistical Supplement* which will be available later this year, upon written request.

DID YOU KNOW

THAT PERA RETIREMENT CHECKS CAN BE DEPOSITED DIRECTLY TO YOUR BANK?

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This offers convenience and makes getting your check in the bank more certain in times of postal crisis. Contact the PERA Office for information.

RETIREMENT BOARD REPORT

PERA members named three candidates to seats on the Retirement Board in elections conducted in May. Frank Taulli, a principal in the Pueblo Schools, was elected by School Division members, while Tom Lindquist, captain, State Patrol, and Bob Hapgood, a fiscal accountant with the State Land Board, were elected by State Division members.

Will Whitehead, director of administrative services for the City of Arvada, and Bernal Brooks, assistant controller, City of Colorado Springs, were unopposed for reelection and will represent the Municipal Division on the Board. All were elected to four-year terms except Hapgood, who will serve the remaining year of an unexpired term.

The election was notable by the loss of 1,036 mail ballots, which were mistaken as trash and thrown out by a night janitor from offices of Heider & Company, the independent accounting firm conducting the election. The loss was dis-

covered May 12, and the PERA Election Committee met the next day to consider several courses.

Alternatives Considered

The alternatives included invalidating the entire election and conducting a new one, and letting the election run its course, at which time the Board could look at the results without reference to candidates' names, and decide whether to declare winners or run all or some of the races again. After consultation and agreement of almost all the candidates, the Election Committee decided to continue the election. Preliminary results presented by the independent firm indicated the number of lost ballots in all probability would not affect the eventual outcome.

The final report from Heider & Company to the Board at its June 12 meeting showed that in two of the three races the winning margin of votes was larger than the total number of ballots lost. The number lost was calculated from postage records.

The margin in the election for the one-year State Division seat was 271 votes, determined by statistical analysis to be conclusive. An independent statistical expert was engaged to perform this analysis. The ballots lost were a relatively small portion of the number received and tabulated. In addition, the lost ballots had not been separated by Division, so only a portion pertained to the one-year contest.

At its regular June Board meeting, with candidates' names not identified, the Board certified the results. Board members who were candidates did not participate in that vote.

Third Mail Election

This year's election was the third since PERA Bylaws were amended in 1976 to provide for the mail ballot system. Previously, proxies were used.

The mail ballot system insures that all voters are PERA members, that each member gets only one ballot, and specifies that an independent certified public accounting firm supervise the election, according to format and rules set up by the Board. More votes were cast this year than in any other year under the mail ballot system—over 25 percent of all receiving ballots.

The 14-member Retirement



PERA Board. Back row, left to right, Taulli, Houck, Whitehead, Brooks, Burroughs, Murrow, Altenbern, Hapgood, Chilton. Front row, Joe Natale, executive secretary, Lindquist, Margaret Whilden, chairperson, Terry Lantry, vice chairperson, Romer. Not present when picture was taken, Bob Scott.

Board consists of five members elected by School Division members, four persons elected by State Division members, two elected by Municipal Division members, and one elected by retired members. In addition, the state treasurer and state auditor serve on the Board. Elected terms are for four years.

Chairperson of the Retirement Board is Margaret Whilden with Terry Lantry serving as vice chairperson.

Following is the composition of the Board with the year in which the present term of office expires.

STATE DIVISION. Robert Hapgood, State Land Board, 1979. Terry L. Lantry, Colorado State University, 1980. Edward W. Murrow, University of Colorado, 1981. Thomas D. Lindquist, State Patrol, 1982.

SCHOOL DIVISION. Roberta Altenbern, Adams County District 14 Schools, 1979. Eileen Burroughs, Jefferson County Public Schools, 1980. Margaret Whilden, Jefferson County Public Schools, 1980. Ada Houck, Grand Junction Public Schools, 1981. Frank Taulli, Pueblo Public Schools, 1982.

MUNICIPAL DIVISION. Bernal Brooks, City of Colorado Springs, 1982. Wilborn S. Whitehead, City of Arvada, 1982.

RETIRED. Walter Chilton, 1979.

STATE TREASURER. Roy Romer.

STATE AUDITOR. Bob Scott.

EXECUTIVE OFFICERS. Joseph P. Natale, executive secretary. Kenneth E. Peterson, Carl S. Wilkerson, and James W. Wilson, assistant executive secretaries.

Created by State Law, the Board meets monthly and has the responsibility for establishing policy for the administration of the Public Employees' Retirement Association. Members serve without pay but are reimbursed for necessary expenses in connection with Board duties.

The state treasurer serves as treasurer of PERA. The legal advisor to the Board is the state attorney general.

NEW COMPUTER INSTALLED

This month PERA has a new addition. It's a new computer—IBM System 3 Model 15D—with greater capacity for efficient handling of 110,000 individual records.

The larger file storage on the computer will help PERA provide improved service because most data will now be "on line." This means that PERA staff will have quicker access to the information it needs to answer member inquiries, clear up problems, and prepare reports.

Basic information PERA maintains about each member includes name, address, employer, social security number, birthdate, and sex.

Also, information such as salary, PERA deduction, and group life insurance deductions, if any, is checked and stored in each member's file monthly.

PERA's microfile section continues to play a vital role in the record-keeping system. The salary-related information is spun off the computer and assembled in each member's microfilm file. Recent postings are kept on the computer. A member's file is then stored and used by the Retirement Services Division to calculate the retiring member's annuity amount when he applies for retirement.

Like most new additions, some of the new computer's applications haven't been developed yet. An important benefit from the "on line" capacity already, is the installation of terminals like television screens which can display needed data instantly.

These terminals, called cathode ray tubes (CRT's), show data in the same format as the paper and microfilm reports relied on previously. One of the first uses of CRT's will be by the Office Ser-

vices Division to gather important data about a member's account whether the purpose is to audit the account or just determine the member's current balance. CRT's will be used in the Data Processing Division to enable programmers to program and do program maintenance more quickly.

These two areas alone will allow the computer to be operated more efficiently since there will be fewer interruptions of computer runs. Other terminals will be installed in a number of remote locations throughout the PERA building during the next year.

While the terminals will provide information faster, security and confidentiality will continue to be protected. Only PERA employees who need information from terminals for their work can use the terminals. Also, each terminal will only provide certain data, appropriate to the staff function in that location.

Future applications of the new computer might include a fresh look at the data base which has been developed. Additional information from employer payrolls could be used to eventually provide service credit calculations from the computer. When this is developed to operate accurately and quickly, members nearing retirement can be informed of accrued benefits via regular statements from PERA.

Members can now receive retirement benefit estimates or other information about their account, of course. This can be done by writing PERA and giving name, address, social security number, and possible retirement date. All request correspondence must be signed by the member.

RETIREMENT STATISTICS:

Retirement annuities have been approved by the Retirement Board payable to retired members during the fiscal year as follows:

	STATE	SCHOOL	MUNICIPAL
20 or more years service at age 55 (Patrol, Wildlife).....	1		
30 or more years service at age 55.....	37	13	1
20 or more years service at age 60.....	138	216	10
5 or more years service at age 65 (Fractional).....	174	174	26
General disability after 5 years of service.....	188	103	19
Termination of service: Retained member (Sec. 9).....	9	18	2
Survivor Benefits: Automatic.....	2	2	
Deferred (Age 60 or Age 65).....	12	25	
20 or more years service at age 55 (reduced).....	29	45	3
5 or more years service at age 60 (reduced).....	113	115	15
TOTAL RETIRED DURING FISCAL YEAR.....	703	711	76
Total number receiving retirement annuities 6/30/1977.....	6798	6550	569
Total number receiving retirement annuities during fiscal year.....	7501	7261	645
Co-Beneficiaries continued upon the death of annuitant.....	65	36	4
Returned to rolls from suspension.....		1	
Less: Retired members deceased during fiscal year.....	245	178	21
TOTAL NUMBER RECEIVING RETIREMENT ANNUITIES			
6/30/1978.....	7321	7120	628
Average monthly rate 6/30/1977.....	\$ 303	\$ 290	\$ 262
Total paid in annuities 7/1/1977 to 6/30/1978 (12 months).....	\$24,959,653	\$23,737,819	\$1,821,147
Average monthly rate for annuitants retired during year.....	\$ 412	\$ 383	\$ 301
Survivor Benefits added to rolls during fiscal year.....	46	41	9
Total Survivor Benefits 6/30/1978.....	431	293	78
Total paid in Survivor Benefits 7/1/1977 to 6/30/1978			
(12 months).....	\$ 1,226,563.	\$ 814,124.	\$ 198,960.
Retirement annuities Deferred (Future at 60 or 65).....	469	729	30
Total future liability (annually).....	\$ 1,395,161	\$ 1,552,204	\$ 68,210.
Survivor Benefits (Future).....	34	29	3
Total future liability (annually).....	\$ 71,742.	\$ 59,755.	\$ 5,440.

NEW INTERNAL AUDITOR NAMED

A new position on the PERA management staff, that of internal auditor, was filled in April by the appointment of R.J. Clark to this responsibility.

R.J. has a Master's Degree from the University of Denver and is a Certified Public Accountant. Before coming to PERA, he had experience in public accounting and internal audit experience with a farm equipment manufacturing company.

He will report directly to the executive secretary and to the Retirement Board.

The position requires planning,



R.J. Clark

directing, coordinating, and reporting on operational audits of all aspects of PERA operations.

He will be broadly responsible

for evaluating compliance with PERA policies and practices. In addition, coordination of audit activities with PERA's external auditors will also be a prime focus.

R.J., who is married and has one son, has completed his move from Iowa to Denver and has been busy with a number of PERA projects.

FIELD SERVICES

PERA provides speakers on PERA benefits for group meetings of employees anywhere in the state. Members of the Division of Information Services travel to all areas of the state to explain the program to members.

There is no charge for this service. Make your request to the Division of Information Services.

FINANCIAL STATEMENT—JUNE 30, 1978

ASSETS	TOTALS	STATE	SCHOOL	MUNICIPAL
INVESTMENTS:	CONSOLIDATED	DIVISION	DIVISION	DIVISION
U.S. Securities.....	\$ 127,800,000	\$ 54,300,000	\$ 69,500,000	\$ 4,000,000
Mortgages.....	185,574,248	76,597,868	102,263,691	6,712,689
Federal Agencies and U.S. Guaranteed Bonds.....	66,048,371	26,303,885	36,254,069	3,490,417
Corporate Bonds.....	940,651,872	396,066,137	500,883,450	43,702,285
Total Fixed Income Securities (At Par).....	1,320,074,491	553,267,890	708,901,210	57,905,391
ADD: Unamortized Premiums.....	231,995	100,426	128,082	3,487
Unamortized Losses On Bonds Sold.....	22,293,629	8,989,177	12,095,653	1,208,799
DEDUCT: Unamortized Discounts.....	(43,825,095)	(18,294,974)	(23,069,825)	(2,460,296)
Adjusted Book Value Fixed Income Securities.....	1,298,775,020	544,062,519	698,055,120	56,657,381
Corporate Stocks (At Cost).....	242,092,922	101,351,222	130,401,191	10,340,509
Real Estate.....	225,092	-0-	225,092	-0-
Other (Short Term Investment).....	68,354,242	22,622,699	42,645,721	3,085,822
TOTAL INVESTMENTS (ADJUSTED BOOK VALUE).....	\$1,609,447,276	\$668,036,440	\$871,327,124	\$70,083,712
OTHER:				
Accrued Interest Income Receivable.....	\$ 23,902,635	\$ 9,889,764	\$ 12,936,150	\$ 1,076,721
Cash.....	3,554,839	2,661,582	843,298	49,959
Other Receivables.....	569,019	330,555	219,071	19,393
Due From Employer Agencies.....	16,760,923	7,717,647	8,103,620	939,656
Prepaid Administrative Expenses.....	100,420	48,250	46,642	5,528
TOTAL ASSETS.....	\$1,654,335,112	\$688,684,238	\$893,475,905	\$72,174,969

LIABILITIES AND RESERVES

Accounts Payable.....	\$ 125,744	-0-	\$ 121,340	\$ 4,404
Accrued Real Estate Taxes Payable.....	1,980	-0-	1,980	-0-
Investment Escrow.....	93,193	93,193	-0-	-0-
Advance Life Insurance Premium.....	459,256	242,779	192,707	23,770
Members' Refunds Payable.....	3,360,500	1,780,294	1,284,607	295,599
Members' Deposits.....	449,548,513	194,607,036	234,737,724	20,203,753
Member's Retirement Reserve.....	557,744,025	166,194,827	364,937,008	26,612,190
Annuitants' Retirement Reserve.....	603,886,481	304,920,322	276,307,338	22,658,821
Survivors' Benefit Reserve.....	25,687,852	14,609,700	9,157,601	1,920,551
Deferred Annuitants' Reserve.....	11,775,811	5,265,676	6,220,670	289,465
Deferred Survivors' Benefit Reserve.....	1,635,584	962,138	508,619	164,827
Reserve for Cancelled Checks.....	16,173	8,273	6,311	1,589
TOTAL LIABILITIES AND RESERVES.....	\$1,654,335,112	\$688,684,238	\$893,475,905	\$72,174,969

MEMBERSHIP STATISTICS

	CONSOLIDATED	STATE	SCHOOL	MUNICIPAL
	TOTALS	DIVISION	DIVISION	DIVISION
TOTAL MEMBERSHIP MAY 31, 1978.....	107,991	43,820	58,224	5,947
<i>Active members.....</i>	<i>92,149</i>	<i>36,094</i>	<i>50,809</i>	<i>5,246</i>
<i>Annuitants and Survivor Benefit Members.....</i>	<i>15,842</i>	<i>7,726</i>	<i>7,415</i>	<i>701</i>
New Members Accepted				
June 1, 1977 to May 31, 1978.....	15,744	6,170	8,388	1,186
Active Members Deceased.....	68	25	36	7
Active Members Accounts Withdrawn.....	11,210	4,486	5,993	731

MANDATORY SOCIAL SECURITY

Mandatory coverage of public employees under Social Security remains an important issue in 1978. Both Congress and public employee retirement plans are looking at solutions and strategies. Meanwhile, some important studies are getting under way.

The PERA Retirement Board opposes universal Social Security coverage and has helped form the Confederation of Non-Social Security Systems (CONSSS), composed of most public plans not covered under Social Security. The group has met twice in Denver, and has elected PERA Board Chairperson Margaret Whilden as its chairperson.

CONSSS is a forum for plans like PERA to analyze information and arguments and examine strategies relating to mandatory coverage.

In Washington, two federal-level studies are becoming organized.

One study is a result of the Fisher Amendment to the Social Security Act last year.

The President's Commission on Pension Reform is scheduled to be appointed this summer.

Coverage under Social Security would cause problems for Colorado public employees and taxpayers while doing very little to solve Social Security's long-term financing problems. PERA benefits would probably be lowered, along with contribution rates, if Social Security became mandatory. While such a change would only apply to years of service earned after that change, total cost of both programs could be higher. The PERA Board has asked the actuary to determine what precise effect on costs and benefits would result.

No proposal has been made to transfer PERA funds to Social Security, or to affect PERA retirees in any way.

The Board supports bills introduced in Congress to repeal the offset provision enacted last De-

ember with the Social Security amendments and any other measures designed to invade and violate previously established and promised benefits.

Because of the offset provision, Social Security benefits to spouses or survivors of workers covered under Social Security, will be reduced by PERA retirement benefits the spouse or survivor earns.

The offset will not apply to those retired before the amendments last fall, or to women who retire before December, 1982.

Social Security benefits based on PERA members' own earnings under Social Security will not be affected. Retirement plans from work not also covered by Social Security are the only plans singled out for this offset provision.

PLANNING TO RETIRE?

The following guidelines will assist you in making application for retirement and will guarantee a smooth transition from your working paycheck to your first retirement check (annuity).

1. Pre-Retirement Planning. Write the Retirement Services Division of PERA at least six to eight months prior to your anticipated retirement date and request an estimate of the dollar amount you will receive based upon the target date of your retirement. Include your full name, current address, and social security number in your letter. If you want co-beneficiary option amounts sent to you, send the birthdate, sex and relationship of the person you wish to provide with a continuing benefit in case of your death. A benefits analyst will send you an estimate of the dollar amount you will receive at retirement based upon your years of PERA-covered service and Final Average Salary.

You will also receive a list of documents acceptable to PERA to establish your birthdate as well as other information unique to your situation. You will receive a response to your letter within three to six weeks, depending upon your pattern of employment. If, for instance, you have worked part-time during any period of your PERA-covered career, you will be asked to contact your employer for the hourly rate of pay and the number of hours worked each day, or the full-time equivalent salary if you had worked full-time for that period.

2. File Your Application for retirement within 60-90 days prior to the effective date of retirement. PERA applications may be obtained from your personnel or payroll office, or you may request the application from PERA Retirement Services Division. Ideally, your employer should submit the application for retirement on your behalf and supply us with your last day on the job and last day on the payroll as agreed upon between you and your employer.

3. Salary Certification. Your employer must certify your last six months' salary as soon as your final salary is known in order for the Retirement Services staff to determine your Final Average Salary and effective date of retirement.

4. Proof of Age. Send copies of your birth record, marriage certificate(s), if applicable, and proof of age for your co-beneficiary if you are considering a PERA Option 2, 3, or 4. A woman should submit a copy of her marriage certificate(s) to connect the maiden name in the proof of age document to the name under which she is retiring.

5. Election of Option. This form will be mailed to you within a few weeks from the date your application is received in the Retirement Services office. The dollar amounts of options available to you were supplied to you earlier to assist you in this decision-making process. Complete the form and return it to PERA as soon as possible to avoid any delay in processing your retirement.

PERA ANNUITANT SPOTLIGHT

Not many PERA annuitants have schools named for them. But Irene Dunstan, a PERA retiree since 1964, has had such an honor. Irene Z. Dunstan Junior High at 1855 Wright St. in Lakewood is named for this retired Jefferson County educator.

Irene has received this and many other honors, but she remains very down to earth and well represents the many PERA retirees who have gone into long and useful retirements based on service to others.

Legislative Efforts

She personally has done an excellent job for all retirees in the Colorado State Legislature over the years. She and organizations she represents have been at the forefront of every piece of PERA retirement improvement legislation by encouraging legislators to take favorable action. Without any pay except the satisfaction of helping, Irene has spent countless hours in the Capitol to help obtain increases in teacher emeritus payments, PERA cost of living adjustments, and the Catch-Up Program. She has worked hard for other kinds of benefits for retired people such as the property tax credit. Irene says she has enjoyed working with members of all PERA Divisions to help obtain these worthwhile goals.

But she still isn't satisfied and probably never will be. "We should do more to recognize the needs of retired people," she said. She is wondering about a better way of handling health insurance for retired teachers. She never stops thinking about new ways of helping the retired.

She worries about those educators who were discouraged from joining PERA in the 1950's when teachers had a choice. "So many didn't plan," she said.

But Irene planned ahead. In fact, her advice on the subject of pre-retirement is to start with your first paycheck, start saving a part of it and every check after that. She tells of her first \$50 paycheck and how three dollars of it went into savings.

Irene regards her work with the Jefferson County Schools Credit Union as one of her most important contributions. She helped organize this credit union in 1949 when it had assets of \$231. For 23 years she served as president of the credit union board.

Protect PERA Assets

She feels strongly about protecting PERA's assets. "I don't want any fiddling around with financial solvency of PERA," she said.

In looking back over her career as an educator, she remembers 1950 as being an "adventure of a lifetime." This was the year that Edward R. Murrow brought television cameras to the Jefferson County Schools to show the nation about consolidation of school districts. It was an exciting story. Thirty-nine districts merged into one.

She remembers well her days as director of curriculum for the Jefferson County Schools. This is



Irene Dunstan

the position she held when she retired.

In 1917, Irene began her 46-year teaching career in a one-room country school at Antelope Springs, Colorado. "I had to crawl through four barbed wire fences to get to school," she said.

Taught in Windsor and Eaton

She next taught in Windsor and Eaton, Colorado, and then she went to Rocky Ford as a principal and after one year resigned to be married. In 1927 she came to the Lakewood School District in Jefferson County. Death took her husband in 1951, and she has been a widow for 27 years.

She has held a number of offices in national organizations, both educational and for retired persons. Currently she is national corresponding secretary for the National Retired Teachers Association. This means extensive travel to Washington and to the various regions of the organization.

A graduate of the University of Northern Colorado, Irene received the Trailblazer Award from that University last year. In 1976 the National Retired Teachers Association named her International Woman of the Year. In 1976 Phi Delta Kappa University of Denver Chapter, presented her the Lay Award for Outstanding Leadership and Service to Education. She received her Master's Degree from the University of Denver and also attended Harvard University to study team teaching.

Irene remembers serving on PERA Legislative Committees just before PERA became available to teachers in 1944. She has served on almost all PERA Legislative Committees since. She serves on the 1978 Committee.

At the Legislature, Irene uses the "soft sell." But that doesn't mean she is ineffective. She stays right in there until she gets what she wants. She isn't a pollyannish do-gooder. She mixes common sense with practicality and a generous portion of human understanding. She's like so many of our PERA annuitants—just good people.

1979 LEGISLATIVE PLANNING

The 1978 Legislature provided full funding for the Catch-Up Program beginning July 1, in the major action concerning PERA during the "short session." The Program originally was enacted in 1975 to supplement annuities in view of the rise in the cost of living.

Earlier in the year, House Bill 1009, on coverage for certain part-year employees, was signed into law. The bill clarified that state employees who normally work less than a full year, and are paid at a daily rate, are subject to PERA rules for coverage.

While the Legislature was wrapping up its session, the PERA Legislative Committee was organizing and meeting earlier than usual to discuss proposals for the 1979 General Assembly. The earlier schedule allows for bills to be drafted and legislator sponsors contacted well in advance of the 1979 session. This is important since each legislator is restricted on the number of bills he or she may introduce after December 1, and because the Retirement Board has adopted several Committee proposals for its legislative program.

Highest Priority - Catch-Up

Among proposals increasing costs, highest priority is an improved Catch-Up Program. Increased payments under this proposal are designed to replace purchasing power lost by annuitants since retirement because of continued high inflation.

More recent retirees would be included under the proposal, as well. Total annual cost of the improved benefits would be over \$12 million, affecting about 15,000 PERA retirees and survivors.

Following are other cost items supported by the Board for its legislative program for 1979.

- Payment of the annual three per-

cent cost of living increase when members have been retired 12 full months. Currently retirees receive that increase, financed actuarially through regular PERA deductions, in their May checks only if they have been retired a full year on May 1.

This change would increase PERA rates by .2 to .4 percent of payroll, expressed on a non-refundable basis. Since employee contributions are refundable to terminating members, employee rate increases raise less money for improvements than employer rate increases. Usually any cost is divided between employer and employee.

- Apply the reduction factor on early retirements for the number of years members are short of qualifying for unreduced retirement, had they continued working. Early retirements are reduced from age 60 or age 65 at present. Reductions would be smaller in many cases, under this proposal.

- Calculate Final Average Salary based on the highest three years of salary. Any annual salary increase in excess of ten percent would be limited to ten percent for the calcu-

lation.

- Raise the annual cost of living escalator to five percent per year, from the present three percent per year.

The Legislative Committee recommended, and the Board concurred, that a buy-back provision be submitted to the Legislature to allow persons with previous, non-covered service for PERA employers to buy that service with the cost borne by such persons. Another proposal would allow retirees to redesignate their option co-beneficiary, in certain cases after retirement.

The Board approved non-cost items to modify disability retirement and reaffirm opposition to mandatory Social Security coverage.

Retirees will be able to have voluntary deductions made from their checks and directed through PERA to a retired organization of their choice, under a system to be established later.

The Legislative Committee consisted of 50 active members this year, selected from each PERA division in proportion to its membership, and seven retired members. After its first meeting in April, Committee members met in groups on items involving cost, non-cost proposals, and technical items. In June the Committee made final recommendations to the Board.

Public Employees' Retirement Association
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Denver, Colorado 80203

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