PERA annual report

August | Public Employees' Retirement Association | 1979

ASSOCIATION INVESTMENT REPORT

Again during the fiscal year ended June 30, 1979, turbulent and indeterminate investment markets due to several concerns have been witnessed. However, primary focus has been on an uncertain economic outlook, both near-term and longer-term, a quickening increase in the rate of inflation and the interdependency of energy to the many facets of the economic, social and political system.

By law, the Retirement Board has the responsibility of directing the investment of the retirement funds in a prudent and discretionary manner. The General Assembly has been farsighted in providing the statutory tools within which the board can carry out its obligations to the membership.

The board believes this is best accomplished by a sound investment policy which allows flexibility to react to changing economic and investment environments as have been experienced this fiscal year and currently exist. This flexibility allows the Investment Department staff to adapt strategies to expected conditions in order to maximize rates of return which inure to the benefit of the membership.

The Retirement Board has directed the investment staff to continue placing emphasis on potential investments located in Colorado. During the recent fiscal year, PERA has invested $54,325,000 in Colorado residential and commercial mortgages, corporate entities and direct ownership of commercial real estate. An additional $48,190,000 has been committed for future funding in locations throughout the state. Approximately 12 percent of the total portfolio is invested or committed to Colorado at the present time.

The Investment Department has added two well qualified professionals to its staff. Norman Jaskol joined the staff as an investment analyst, specializing in common stocks, after several years experience in New York City. He was, most recently, vice president, director of research and member of the Investment Policy Committee of Moseley, Hallgarten and Estabrook, Inc. James Cushner joined the staff as an investment analyst specializing in corporate private placements and mortgages. Cushner brings to PERA experience in trust account portfolio management and negotiation of privately-placed debt and mortgages. The professional expertise of these new staff members is welcomed.

An in-depth statistical investment report will be included in the Statistical Supplement which will be available, upon written request, early in 1980.

NEWLY-ELECTED BOARD MEMBERS. Seated, Roberta J. Altenbern. Standing, left to right, Barclay Watson and Nathan E. Brundridge. See story page 2.

YOUR RETIREMENT BOARD

Public Employees' Retirement Association members named three candidates to seats on the Retirement Board in elections conducted in May.

Roberta J. Altenbern, media specialist, Adams County School District 14, was re-elected to the board by School Division members, while State Division members elected Nathan E. Brundridge, director of special programs, Mesa College, as a board member.

The retired membership named Barclay Watson, a retiree of the Colorado Springs District 11 Public Schools and former PERA Board member, to the official PERA policy making body.

During the month of August, a special election is being conducted to name another retired person to the board. With the passage of Senate Bill 301 by the 1979 General Assembly, PERA annuitants are now entitled to two seats on the Retirement Board.

The new retired board member is being elected for a two-year term. After two years, that seat on the board will be for four years. The other newly elected board members were elected for the usual four-year terms.

This election is the fourth year in which mail ballots were used. The election was conducted under the supervision of Lehman, Butterwick & Co., certified public accountants. Ballots were sent directly to this independent accounting firm which presented the results to the Retirement Board.

Created by State Law, the 15-member Retirement Board consists of four persons elected by State Division members, five persons elected by School Division members, two elected by the Municipal Division, and two elected by retired members. In addition, the state treasurer and state auditor serve on the Retirment Board. Elected board members serve for four-year terms.

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

Colorado State Law establishes the basic provisions for retirements and other benefits under PERA and also establishes a Retirement Board to administer Association affairs.

Employees of the State of Colorado, including state college and university personnel, are members of the State Division. School Division members are employees of all school districts in Colorado except the Denver school district. Employees of certain municipalities and other special districts in Colorado belong to the Municipal Division. The retired members of the board can be elected from any division of previous employment.

Three board members are to be elected in 1980. One board member will be elected by State Division members. School Division members will elect two board members. There will be no vacancies for the Municipal Division or for the Retired Section in 1980.

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

STATE DIVISION. Terry L. Lantry, Colorado State University, 1980. Edward W. Murrow, University of Colorado, 1981. Thomas D. Lindquist, State Patrol, 1982. Nathan E. Brundridge, Mesa College, 1983.

SCHOOL DIVISION. Eileen Burroughs, Jefferson County School District R-1, 1980. Margarett Whilden, St. Vrain Valley School District RelJ, 1980. Ada Houck, Mesa County Valley School District 51, 1981. Frank Taulli, Pueblo School District 60, 1982. Roberta Altenbern, Adams County School District 14, 1983.

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

RETIRED. Barclay Watson, 1983. New person to be elected to serve until 1981.

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.

The board meets monthly.

Board 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.

Title 24, Article 51, Colorado Revised Statutes in 24-51-103 spells out the composition and responsibilities of the board.

The law states that "The board shall elect a chairman and shall appoint a secretary or such other employees as may be necessary..."

It also points out: "The board, from time to time, subject to the limitations of this part 1 and of the law shall establish rules and regulations for the administration of the retirement fund and other provisions of this part 1 and for the transaction of its business."

Annually reporting to the Governor and the General Assembly is another responsibility of the Public Employees' Retirement Association Board.

MANDATORY SOCIAL SECURITY REPORT

Historical

The Social Security Law became effective in 1937 applying to a few industrial workers. Its stated purpose was to provide minimum payments to persons age 65 and over. Originally, it was not intended to be a funded retirement plan but, rather, a system by which taxes paid by current workers were to flow through to current beneficiaries as monthly payments. The tax rate was originally set at one percent of the first $3,000 of wages, paid by employee and employer alike. That rate remained until 1949. Since that time, the matching rates have increased to a current level of 6.13 percent, applied to the first $22,900 of earnings. Initially, a sizeable trust fund was created.

In 1966, Medicare was adopted and incorporated into the basic program. Other additions over the years, included survivorship benefits, disability benefits, and a modest death benefit.

Recently, the excessive benefit drain has reduced the size of the trust fund to less than eight months' payout. In 1977, Congress enacted sharply increased tax rates and the law provides for alarming future increases, not only in the rate, but in the maximum taxable wage base as well.

Some of the short-term problems have been solved by these financing changes, but the long-term outlook remains grim. In some effort to solve these problems, a series of cutbacks in benefits have been proposed by President Carter and Secretary Califano but, so far, these moves have not met with a warm reception in Congress.

Public Employees

Until 1952, public employees were excluded from participation in Social Security primarily for two strong reasons:

1. Most public employee retirement systems predate the establishment of Social Security.
2. Legal and constitutional experts questioned the capacity of the Federal Government to mandate coverage for state and local governments, because the payment to Social Security is a tax, not a contribution.

In 1952, public employees were made eligible to participate provided the state adopted enabling legislation, entered into a contract with the federal government, and a referendum of affected employees in which over 50 percent of those eligible voted to elect such coverage. Federal government employees who were members of staff retirement plans were not included in mandatory coverage nor were employees of charitable or non-profit organizations.

As a result of these changes, over the years, many states (and local systems) elected coverage for public employees, modifying existing retirement plans, and allowing their members to consent to such changes. Other plans remained non-covered, which was the case for Colorado PERA.

Currently, all or a major portion of public employees in 12 states do not participate in Social Security, affecting over four million workers. About 40 percent of all the country's teachers are employed in these states. Many other states have pockets of partial or non-coverage.

The Social Security Law also provides that public employees (as a group) may withdraw from Social Security after having been covered. The disaffiliation provisions require two years' notice and other technical conditions. Louisiana is an example of a state which withdrew. Other states, such as Alaska, have been considering withdrawal. There are various reasons for withdrawal: increased costs, increased Social Security benefits which gradually "squeeze" out retirement system benefits due to the combined benefit exceeding 100 percent of pay, and unrest about Social Security's financial status. In Maryland, for example, retirement plan benefits have been cut back as much as 30 percent because of taxpayer pressures and "excessive" benefits which are attributable primarily to higher Social Security benefits. The Virginia legislature is also considering a major revision in their teacher plan.

Why should public employees be given withdrawal rights when the same privilege does not apply in the private sector? This is one of the major questions being debated in Congress today. Primarily, the reason is found in the history and background of how Social Security was applied to governmental units. The entire structure is built upon the fundamental concept of voluntary participation of such entities inherent in the 1952 amendments and based upon the constitutional doctrine of state's rights and the powers vested in the federal government. As the problems of Social Security compound, the exodus of public employees continues to concern the Social Security administration and adds additional complexity and argument to the mandatory Social Security issue.

The Status Now

For several years, the Advisory Council on Social Security, a blue-ribbon panel appointed to advise the President and Congress on major Social Security issues, has recommended mandatory coverage. Most recently, however, Public Law 95-216, the Social Security Amendments of 1977, provided for a two-year study of mandatory coverage of public employees. In its original form, the bill would have mandated such coverage effective January 1, 1982. Strong opposition to the proposal by public employees led to the study amendment. The Universal Social Security Study Group has been holding hearings throughout the country during this period. Colorado representatives, including PERA, as well as most major public employee organizations, testified against mandatory Social Security at these hearings. The overwhelming majority of the testimony given was opposed to mandatory coverage. The major groups in favor of mandatory coverage included the American Council of Life Insurance, the National Association of Manufacturers and the U.S. Chamber of Commerce.

The study group is mandated to report to the Secretary of Health, Education & Welfare, who, in turn, is required to report those findings, together with his recommendations to the President and to Congress by December, 1979. Currently, PERA has a preliminary "options" paper being examined, on a draft basis, by the staff of this committee.

There are a myriad of possibilities being examined which will ultimately be probed by the 1980 session of Congress. Already, the House Ways & Means Committee (Chairman Al Ullman, Oregon) has appointed a Sub-Committee on Social Security chaired by Congressman J. J. Pickle of Texas, which is examining this issue, among others, at this time. Colorado has no representation on either committee. In the Senate, matters related to Social Security will be considered by the Senate Finance Committee.

The approaches may include the following:

1. Congress may take no action, leaving the law as it now exists.
2. Federal retirement systems may be brought under Social Security in some integrated benefit plan designed to assure no loss of vested rights and benefits. Under this plan, no change would be made for state and local employees, in recognition of the strong legal and constitutional questions existing.
3. Congress could establish a date by which all public employees, federal, state, and local must be covered by Social Security. This plan would require action by each state legislature as to what happens to the existing retirement plan. Congress would simply mandate Social Security and the problems of state retirement systems arising therefrom would be transferred to a state problem.
4. Congress could mandate Social Security for public employees who are newly hired (or possibly rehired) as of some future date. This would require the development of a parallel retirement system design, one for present employees without Social Security and one for new employees with Social Security.
5. Congress could, instead of mandating coverage, elect to establish changes in Social Security designed to attract voluntary election by non-covered persons in Social Security. Such changes may include broad based general fund (tax) financing instead of the wage and payroll base.

Space does not permit full elaboration of all the options under consideration but, from our perspective, these are the major considerations.

Clearly, there appears to be no effort to "take over," "seize," or "confiscate" the PERA trust fund by the federal government. Nor does it appear that there will be any effect on persons already retired. However, at least part of the motivation of the proponents of mandatory Social Security appears to be directed to a short-term "bailout" of Social Security's financial condition. If all of the 6.5 million persons currently non-covered are forced to pay Social Security taxes, the income derived from this change is estimated at between 10 and 15 billion dollars. This temporary "fix", however, does not measure the long-term liabilities which would be assumed by Social Security. The former chief actuary of Social Security, A. Haeworth Robertson, has estimated the overall impact of mandatory coverage would be minimal, in terms of helping Social Security to remain solvent. (The payroll rates would be affected by less than .02% of covered pay.) Clearly, mandatory coverage is nothing more than a temporary "golden gimmick."

Colorado PERA Activities

The Retirement Board is, and has been, firmly opposed to mandatory coverage. Further, Colorado's board members have been leaders in the opposition fight and were instrumental in the formation of CONSSS, the Confederation of Non-Social Security Systems, which has established a nationwide network of those plans with concerns similar to ours. This organization has been effective in communicating rapidly changing developments to concerned parties and in spearheading the basis for testimony to the Advisory Council on Social Security, to the Universal Social Security Study Group, and to other congressional and administrative committees.

Further, recognizing the possible developing scene, the board authorized a study by the consulting actuary of the changes which would be necessary in PERA benefit design if Social Security is mandated. Because Colorado is, and has been, a prudent, fiscally sound state, it is doubtful if the General Assembly would agree to considerable retirement cost increases. The impact of adding Social Security completely on top of present PERA benefits is estimated to exceed $140 million annually. Further, taxpayer resistance to the excessive retirement benefits resulting would be strong.

Therefore, the board authorized the actuary to study the cost of a plan which would incorporate the mandated Social Security costs and benefits with a reduced PERA benefits structure, the total cost of which would not exceed the present cost to employees and to the employer. The resulting change in PERA benefits is staggering. The following changes would occur.

1. The unit credit for each year of service would be reduced from 2.50 percent (first 20 years) to 1 percent per year, or a reduction of 60 percent.
2. The post-retirement escalator provision of 3 percent per year would have to be eliminated.
3. All disability benefits would be eliminated.
4. All survivor benefits would be eliminated.
5. The earliest age of eligibility for service retirement would be age 62 instead of age 55.

There are other minor changes but the final resulting cost structure would be between one percent and three percent of payroll higher, or an increase of as much as $36 million annually, even to maintain this emasculated plan. Of course, Social Security benefits would be added, but the result is a total combined benefit which is *lower* for all average salary levels above $12,000 per year. Therefore, the plan would cost *more* and the benefits would be lower. In all likelihood, the greatest reduction would be for the middle aged, middle income workers.

There are many reasons for our opposition to mandatory Social Security. The above represents a discussion of the major one.

American Council of Life Insurance

Because we work closely with the life insurance industry, (see this issue for insurance open-enrollment story) and because our members carry millions of dollars of individual life insurance, our members have asked us, and we, in turn, have reflected on the position of this influential trade and lobbying group which has strongly advocated mandatory coverage. In view of their strong commitment to strong, actuarially sound financing, why would this organization support the transfer of resources from a solidly funded retirement system, such as PERA, to a pay-as-you-go Social Security plan which is in trouble? Incidentally, a recent Louis Harris public opinion poll reveals that 80 percent of the public now working have less than full confidence that Social Security will pay them the benefits promised them when they retire and 42 percent have "hardly any confidence at all." Most people (76 percent) want Social Security to work as originally intended - a program to provide a basic level of retirement income that will supplement other retirement income sources. Further, 51 percent believe that people who retire after 20 years of service in a government job should be able to collect a government pension while working at a second job, a reaction to the much-abused "double dipper" argument.

In any event, Colorado board leaders and CONSSS leaders met with the American Council staff who informed us that they reached their position based upon what is good for the country (in their opinion). Further, this group retains, as an influential advisor, a former chief actuary and principal architect of the Social Security plan, who has advocated mandatory coverage since 1937. The council staff assures us that no loss of benefits is intended by their position, but there is no way such a euphemism can be executed. The most effective way of dealing with this group is to communicate directly with their board members, a list of which we publish with this issue, together with company affiliation. We suggest this technique to you, and it will be particularly effective if you happen to be insured with one of the companies listed.

Other Provisions

Earlier editions of the report have noted the passage in Public Law 95-216 of the so-called offset provisions. This will affect any PERA member who *qualifies* for retirement after December 31, 1982. Such persons, primarily women, will have any entitlement to receive a portion of their spouse's Social Security benefit reduced, dollar for dollar, for any benefit received from PERA. As an example:

> Alice retires July 1, 1985, at age 63. Her monthly benefit from Colorado PERA is $400. Her husband, retired under Social Security, is age 67, and receives $500 per month. Alice applies for her share of his Social Security benefit, normally 50 percent of her husband's benefit, or $250. Because she draws a PERA benefit, she is not eligible for any payment from Social Security. Loss of benefits equals $250 per month.

Fortunately, the impact of this change is still delayed. We feel the bill is discriminatory, because it applies only to non-covered systems, and possibly unconstitutional, and we support its repeal. Several measures have been introduced in Congress this year to accomplish the repeal. The most prominent bill is HR 652 by Congressman Carl Perkins, Kentucky.

Thousands of PERA members are affected by this provision. Many will not realize its impact until they apply for Social Security. We urge all to write your Congressperson for support of repeal.

Action Now

1. To support repeal of the offset provision.
2. To make the American Council aware of your feelings.

Action Later

Since the issue is not before Congress at this time, and is not expected to be until 1980, premature urging of Congress on the question of mandatory Social Security may do more harm than good. Alertness and education of the facts is important now. Contact with the Congress in 1980 (an election year) will have greater impact. Your retirement benefits *are* involved and you owe it to yourself to remain fully informed on this issue. On our part, we promise to do our best to provide you with information on developments when, and as, they occur. Contacting Congress next year is strongly urged!

AMERICAN COUNCIL OF LIFE INSURANCE

Following is a list of the officers and Board of Directors of the American Council of Life Insurance.

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Hartford, CT 06156

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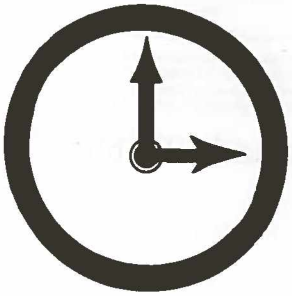

It's Open Enrollment Time

For Our PERA
GROUP INSURANCE PLANS

- **New York Life**
- **Prudential**

Benefits Improved Again

With No Additional Cost To You

OPEN ENROLLMENT AUGUST THROUGH DECEMBER

Additional Information Inside

Enrollment Cards Attached

PERA/NCPERS Plan Through Prudential

- You Obtain This Protection at very Attractive Rates through the Mass Purchasing Power of a Large National Organization of which PERA Is a Member, the National Conference on Public Employee Retirement Systems.
- Your Coverage Includes Benefits for Accidental Death and Dismemberment.
- You Get Group Term Life Insurance Coverage for Your Spouse and Eligible Children at No Additional Cost.
- You Have Coverage for 24 Hours a Day — On or Off the Job.
- Your Coverage May Be Continued into Retirement.
- Payment of Premiums Is Made Easy for You through Payroll Deductions.
- Your Group Term Life Insurance and that of Your Dependents May Be Continued at No Further Cost to You in Case You Become Totally Disabled before You Reach Age 60, As Long As You Remain Totally Disabled.

SCHEDULE OF INSURANCE

	MEMBERS			DEPENDENTS	
Members Age At Time of Claim	Group Term Life Insurance	Group Accidental Death and Dismemberment Insurance	Total Benefit For Accidental Death	Spouse Term Life	Child(ren) Term Life
Less than 30	$20,000	$50,000	$70,000	$5,000	$1,000
30 but less than 40	20,000	30,000	50,000	5,000	1,000
40 but less than 45	13,000	23,000	36,000	5,000	1,000
45 but less than 50	9,000	19,000	28,000	4,500	1,000
50 but less than 55	6,000	16,000	22,000	3,000	1,000
55 but less than 60	4,000	14,000	18,000	2,000	1,000
60 but less than 65	3,000	13,000	16,000	1,500	1,000
65 and over	1,500	1,500	3,000	750	750

The benefits available to you and your dependents at your time of retirement may be continued by a **$6** per month deduction from your PERA retirement annuity.

$6 per month contribution by payroll deduction provides those benefits for you and your dependents.

How You Enroll

If you enroll promptly, you and your dependents will become insured on the first day of the month following a payroll deduction of your first premium.

Complete the attached application and mail to PERA.

NOT AVAILABLE TO RETIRED MEMBERS.

PERA Plan Through New York Life

Featuring a new accidental death and dismemberment benefit at no additional cost and the unique paid-up provision rarely found in a plan whose basic benefits are so substantial!

UNIQUE PAID-UP FEATURE

Additional coverage in the form of fully paid-up term insurance to age 70 in the amount of your total contributions becomes yours after completion of 60 months of participation. Thereafter the amount is increased $10 each month while you are an active member of the plan. Upon your retirement on a PERA annuity, the accumulated additional insurance will not increase but will be continued during your lifetime without further cost to you.

MEMBERS' AND DEPENDENTS' LIFE INSURANCE

Effective Sept. 1, 1979

Age at Time of Death	Group Term Life Insurance	Group Accidental Death and Dismemberment Insurance	Total Benefit For Accidental Death	Spouse Term Life	Child(ren) Term Life
Under age 25	$50,000	$50,000	$100,000	$5,000	$2,000
25 but under age 30	40,000	40,000	80,000	5,000	2,000
30 but under age 35	32,000	32,000	64,000	5,000	2,000
35 but under age 40	24,000	24,000	48,000	5,000	2,000
40 but under age 45	18,000	18,000	36,000	5,000	2,000
45 but under age 50	14,000	14,000	28,000	5,000	2,000
50 but under age 55	10,000	10,000	20,000	5,000	2,000
55 but under age 60	6,060	6,060	12,120	3,000	2,000
60 but under age 70	4,098	4,098	8,196	2,000	2,000
70 and over	2,000	2,000	4,000	-0-	2,000

$10 per month contribution by payroll deduction provides these benefits for you and your dependents. Members' and dependents' insurance may be continued after retirement by **$10 monthly** deduction from your PERA annuity if you retire after April 30, 1979.

OTHER IMPORTANT FEATURES

- No Health Statement Required If You Enroll During Open Enrollment Period Ending December 31, 1979.
- Benefits Payable On Account of Death From Any Cause.
- Coverage At No Cost While You Are Disabled before Age 60.
- NEW ACCIDENTAL DEATH AND DISMEMBERMENT BENEFIT AT NO EXTRA COST TO YOU.
- If you are now participating in the $5 plan, you may enroll in the $10 plan without evidence of insurability during this open enrollment period.
- If you remain in the $5 plan, accidental death and dismemberment will be added to your coverage in an amount equal to your basic Life Insurance effective September 1, 1979.

How You Enroll

If you enroll promptly, you and your dependents will become insured on the first day of the month following a payroll deduction of your first premium.

Complete the attached application and mail to PERA.

NOT AVAILABLE TO RETIRED MEMBERS.

As an Active Member of PERA You May Participate in Either or Both of These Excellent Plans

* * *

Combined They Represent Significant Low Cost Protection for Your Family

COMBINED PERA SCHEDULE
NEW YORK LIFE AND PRUDENTIAL

	MEMBERS			DEPENDENTS	
Age At Time of Claim	Group Term Life Insurance	Group Accidental Death and Dismemberment Insurance	Total Benefit For Accidental Death	Spouse Term Life	Child(ren) Term Life
Less than 25	$70,000	$100,000	$170,000	$10,000	$3,000
25 but less than 30	60,000	90,000	150,000	10,000	3,000
30 but less than 35	52,000	62,000	114,000	10,000	3,000
35 but less than 40	44,000	54,000	98,000	10,000	3,000
40 but less than 45	31,000	41,000	72,000	10,000	3,000
45 but less than 50	23,000	33,000	56,000	9,500	3,000
50 but less than 55	16,000	26,000	42,000	8,000	3,000
55 but less than 60	10,060	20,060	30,120	5,000	3,000
60 but less than 65	7,098	17,098	24,196	3,500	3,000
65 but less than 70	5,598	5,598	11,196	2,750	2,750
70 and over	3,500	3,500	7,000	750	2,750

Plus New York Life Members Extra Insurance

After 60 Months of Participation Your Extra Coverage Will Be Equal to Your Contributions to the New York Life Plan.

All This Protection for PERA Plan $10 & NCPERS Plan $6

$16 PER MONTH

LEGISLATIVE REPORT

The 1979 Legislative Session ended with both gains and defeats for the Public Employees' Retirement Association.

On the positive side is found legislation providing for the Buy-In and Buy-Back Programs, improved survivor benefits, and modified disability coverage.

The negatives included loss of an improved Catch-Up Program and increased escalator for retirees and the three-year Final Average Salary. These proposals lost despite strong efforts of legislators sympathetic to PERA needs.

Bills for major improvements in PERA benefits were defeated by the Legislature just before adjournment. Each bill called for sizeable cost increases, and under the spending limit adopted by the Legislature, none of the bills was funded.

S.B. 252, improving the Catch-Up Program for 14,000 retired PERA employees was a major loss. This bill was the highest priority of the PERA Legislative Committee and the Retirement Board. Full funding for the current Catch-Up Program was continued, however, for annuitants in all four divisions of PERA who retired in 1973 or earlier.

Senate Bill 302

Senate Bill 302 was passed by the Legislature and signed into law recently by Governor Richard Lamm. This act, drafted and supported by PERA, affects survivor benefits, and disability retirement. The new law sets up a Buy-In and Buy-Back Program, and requires mandatory registration of new employees.

The "blackout" period before survivor benefits begin to the spouse alone, will be eliminated in many cases. For deaths occurring on or after July 1, 1979, a surviving spouse with no eligible children may elect to receive an immediate annuity payable for the spouse's lifetime. This election is available only if the deceased had 10 or more years of PERA service at death.

"Death-bed decisions" to apply for disability won't have to be made, since deaths occurring immediately before or after disability retirement will be treated in a similar manner. Members who are disabled from their regular employment duties but not from comparable duties will receive a lower benefit under certain circumstances.

The new law makes certain housekeeping changes, including a provision that any future legislation providing benefits will not be retroactive, unless specifically stated.

All new employees of a PERA affiliated employer will be required to register that they accept or reject PERA membership if the nature of their employment permits them a choice (part-time, temporary, etc.). Rules for required membership are unchanged, however. The registration will help solve future compliance problems.

S.B. 302 was amended in the final days of the session to add the Buy-In and Buy-Back Program. Under this Program a member can buy service credit for any public employment not currently vested to add to retirement credit for PERA.

Special thanks are due Senator Les Fowler and Representatives Jeanne Faatz, Bob Kirscht, and Jim Reeves for their able sponsorship of this important legislation for PERA members.

Other Bills

Bills supported by PERA but defeated include S.B. 252, the Catch-Up Bill; S.B. 205, applying the escalator on anniversary of retirement; S.B. 276, for Final Average Salary based on the three highest years and modifying the reduction factor on early retirement; and H.B. 1254, to increase the annual escalator on PERA benefits.

These bills all required contribution rate increases and some funding from the State General Fund. The Legislature, however, continues to operate under a law permitting General Fund spending to rise by a maximum of seven percent per year. This environment, together with more than $130 million in requests for money by unrelated bills, caused the defeat of PERA cost bills.

Legislation becoming law includes S.B. 301, which adds an additional retired seat to the Retirement Board. A special election is being held this month to fill this seat. Employees of the General Assembly may exempt themselves from PERA coverage with the signing of H.B. 1237.

A bill to allow certain judicial department employees to buy in previous court service at their full cost was enacted, as well as a bill removing restrictions on application for teacher emeritus payments.

BUY-IN

With the passage of the Buy-In and Buy-Back Program, PERA members can now purchase credit for certain other public employment to increase years of PERA service credit.

January 1, 1980, is the first date eligible credit can be bought. Retired persons, former members who elected a retained membership or deferred annuity, and individuals who have ceased employment aren't eligible for the program.

Five Years' Service

The Buy-In Program allows any PERA member who has attained five or more years' credit under

PERA to buy credit for any period of time worked for a public employer. Qualifying public employment includes service performed with any federal (including military), state, school district, county, or municipal employer.

Notice carefully that such service cannot be counted elsewhere for another public pension, so that the buy-in won't constitute "double-dipping." Buy-in simply allows PERA members affected to increase credit for their future retirement benefit, instead of losing retirement credit for past years of public employment.

The amount of credit added to PERA, once payment is made, is determined by applying the service credit rules in effect for PERA employment to the actual work pattern. No service bought can apply toward eligibility for disability or survivor benefits.

Actuarial Equivalent

Cost to the member buying in is the actuarial equivalent of the present value of providing the credit. In other words, it's the full cost of adding the credit, taking into account important factors such as age, service under PERA, current salary, and time until eligible for retirement. No contributions by persons not participating in the Buy-In and Buy-Back Program will be used for this program.

The cost will be a percentage of salary at application for buy-in. Cost will range from eight percent of current salary to a maximum of about 54 percent of current salary, for each full year of service purchased. Each individual case will be calculated separately, using figures developed by the actuary. Generally, the older the person, the higher the resulting cost will be.

See the accompanying chart for some percentages.

Buy-in payments may be made either in a lump sum or in equal monthly installments taking up to two years. Credit is given when payment is completed, and **payment must be completed at least one year** before retirement. However, a member retiring prior to January 1, 1981, may make a lump-sum payment at the time he applies for retirement.

Estimates

Any active employee with five or more years' PERA service can have an estimate of the cost of buy-in for his case by sending PERA the following information: Name, address, social security number, former public employer(s) for buy-in service, and amount of time the employee wishes to buy in. Members should be sure to sign the correspondence.

Members who are interested are advised to consider the significant cost aspects before they pursue this request.

After looking at the estimate, if the member wants to pursue the buy-in, he should complete the forms received and return to PERA. A $25.00 nonrefundable fee must be submitted to cover costs of verifying service credit. This cost is required by law.

Buy-Back

Buy-back is available to any member who was not covered under PERA, while he was working for an employer affiliated with PERA at the time. Cost and other conditions for buy-back are the same as for buy-in, with a few exceptions.

A member using buy-back requests the employer he worked for to pay a portion of the total cost. if the employer elects not to pay that portion, the member may pay the entire amount. Five years' PERA service are not required before application.

Remember that buy-in and buy-back are different from reinstatement of previous service covered under PERA. The cost to reinstate is the amount of the refunded deductions, plus six percent interest, compounded semi-annually, on that amount for the period out of the fund.

This chart can be used to estimate the cost of buy-in and buy-back. The percentages listed are of annual salary at time of purchase. Members writing PERA with other combinations of these factors will receive estimates.

Age	Years PERA	Years Purchased 1 Year	5 Years	10 Years
30	5	10%	47%	—
45	5	19	86	159%
45	15	26	145	233
50	10	19	85	153
50	20	33	193	293
55	10	30	173	247
55	20	13	64	315
60	10	25	122	346
60	19	54	101	160
60	20	12	59	118

ILLUSTRATION: Member age 45 has five years of PERA service and now earns $15,000 per year. Cost to purchase one year, $15,000 x 19%, $2,850. Cost to purchase five years, $15,000 x 86%, $12,900.


Faatz


Les Fowler


Kirscht


Reeves

Legislators Who Helped


Groff


Hilsmeier

The legislators pictured here were particularly helpful to the PERA legislative program as sponsors and committee chairmen. Many others contributed their time and energy as well.

Representatives Faatz, Kirscht, and Reeves sponsored SB 302 in the House, and Senators Les Fowler and Don Sandoval sponsored this important legislation in the Senate. Reps. Gustafson and Kirscht, and Sen. Fowler sponsored SB 252, the catch-up bill. Sen. Groff sponsored several PERA bills in the Senate. Rep. Hilsmeier and Sen. Zakhem sponsored HB 1254. Sen. Wham and Rep. Tancredo sponsored SB 205. Sen. Meiklejohn and Rep. Hilsmeier sponsored SB 276. Rep. Gorsuch and Sen. Meiklejohn chaired the important State Affairs Committee in each House where most PERA legislation was considered, and were especially helpful in providing hearings of retirement legislation.


Don Sandoval


Gustafson


Zakhem


Meiklejohn


Gorsuch


Wham


Tancredo

FINANCIAL STATEMENT - JUNE 30, 1979

ASSETS

INVESTMENTS	TOTALS CONSOLIDATED	STATE DIVISION	SCHOOL DIVISION	MUNICIPAL DIVISION	JUDGES DIVISION	COMMON OPERATING FUND
U.S. Securities	$ 146,050,000	$ 58,700,000	$ 80,700,000	$ 5,000,000	$ 600,000	$1,050,000
Mortgages	240,964,043	98,870,514	130,920,275	8,956,507	1,586,747	630,000
Federal Agencies and U.S. Guaranteed Bonds	60,327,653	23,692,505	32,690,692	3,460,504	483,952	-0-
Corporate Bonds	1,040,716,876	431,585,636	554,527,255	47,905,851	6,698,134	-0-
Total Fixed Income Securities (At Par)	1,488,058,572	612,848,655	798,838,222	65,322,862	9,368,833	1,680,000
ADD: Unamortized Premiums	180,397	78,562	99,056	2,779	-0-	-0-
Unamortized Loss - Bonds	36,819,967	15,806,794	18,784,858	1,926,413	301,902	-0-
DEDUCT: Unamortized Discounts	(44,107,698)	(18,185,994)	(23,434,756)	(2,206,569)	(245,761)	(34,618)
Adjusted Book Value Fixed Income Securities	1,480,951,238	610,548,017	794,287,380	65,045,485	9,424,974	1,645,382
Corporate Stocks (At Cost)	345,631,629	143,052,191	184,373,761	15,735,382	2,470,295	-0-
Real Estate and Buildings	20,770,629	7,514,556	8,798,933	601,119	100,187	3,755,834
Short Term Investments	48,664,434	16,459,262	29,859,536	1,790,074	99,446	456,116
TOTAL INVESTMENTS (ADJUSTED BOOK VALUE)	**$1,896,017,930**	**$777,574,026**	**$1,017,319,610**	**$83,172,060**	**$12,094,902**	**$5,857,332**
OTHER:						
Accrued Interest Income	$ 28,486,512	$ 12,000,381	$ 14,934,251	$ 1,310,076	$ 207,637	$ 34,167
Cash	1,348,269	477,799	656,429	(38,823)	213,081	39,783
Other Receivables	553,601	263,136	205,516	12,944	69,934	2,071
Due From Employer Agencies	19,492,045	8,515,721	9,789,819	1,070,864	115,641	-0-
Prepaid Expense	169,583	65,791	90,007	5,289	468	8,028
TOTAL ASSETS	**$1,946,067,940**	**$798,896,854**	**$1,042,995,632**	**$85,532,410**	**$12,701,663**	**$5,941,381**

LIABILITIES AND RESERVES

	TOTALS CONSOLIDATED	STATE DIVISION	SCHOOL DIVISION	MUNICIPAL DIVISION	JUDGES DIVISION	COMMON OPERATING FUND
Accounts Payable	$ 199,701	$ 33,425	$ -0-	$ 4,079	$ -0-	$ 162,197
Accrued Real Estate Taxes	9,695	517	2,240	-0-	-0-	6,938
Investment Escrow	436,087	208,560	210,290	13,990	3,247	-0-
Advance Life Insurance Premiums	445,610	231,455	186,855	24,326	2,974	-0-
Members' Refunds Payable	3,179,728	1,601,768	1,273,375	304,585	-0-	-0-
Members' Deposits	510,482,482	218,859,665	265,610,314	23,221,969	2,790,534	-0-
Members' Retirement Reserve	679,962,211	201,234,975	442,011,373	32,571,959	4,143,904	-0-
Annuitants' Retirement Reserve	698,569,407	351,894,871	315,568,829	26,382,298	4,723,409	-0-
Survivors' Benefit Reserve	28,876,079	15,708,382	9,937,587	2,317,888	912,222	-0-
Deferred Annuitants' Reserve	16,197,344	8,097,971	7,504,983	515,274	79,116	-0-
Deferred Survivors' Reserve	1,912,157	1,007,106	683,505	175,289	46,257	-0-
Reserve for Cancelled Checks	25,193	18,159	6,281	753	-0-	-0-
Insurance Dividend Reserve	5,772,246	-0-	-0-	-0-	-0-	5,772,246
TOTAL LIABILITIES AND RESERVES	**$1,946,067,940**	**$798,896,854**	**$1,042,995,632**	**$85,532,410**	**$12,701,663**	**$5,941,381**

RETIREMENT STATISTICS:

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

	STATE	SCHOOL	MUNICIPAL	JUDGES
20 or more years service at age 55 (Patrol, Wildlife)	3			
30 or more years service at age 55	38	16	4	
20 or more years service at age 60	181	186	13	4
5 or more years service at age 65 (Fractional)	150	144	25	4
General disability after 5 years of service	161	91	15	
Termination of service: Retained member (Sec. 9)	2	12		
Survivor Benefits: Automatic	6	2		
Deferred (Age 60 or 65)	14	17	1	
20 or more years service at age 55 (reduced)	28	50		
5 or more years service at age 60 (reduced)	133	154	12	
TOTAL RETIRED DURING FISCAL YEAR	**716**	**672**	**70**	**8**
Total number receiving retirement annuities 6/30/1978	7321	7120	628	61
Total number receiving retirement annuities during fiscal year	8037	7792	698	69
Co-beneficiaries continued upon the death of annuitant	58	35	11	
Returned to rolls from suspension		4		
Less: Retired members deceased during fiscal year	286	160	26	2
Annuities temporarily suspended this year	7			
TOTAL NUMBER RECEIVING RETIREMENT ANNUITIES 6/30/1979	**7802**	**7671**	**683**	**67**
Average monthly rate 6/30/1979	$ 327.	$ 307.	$ 278.	$ 532.
Total paid in annuities 7/1/1978 to 6/30/1979 (12 months)	$28,694,628.	$27,150,087	$2,135,125.	$397,759.
Average monthly rate for annuitants retired during year	$ 467.	$ 398.	$ 372.	$ 942.
Survivor Benefits added to rolls during fiscal year	46	39	7	2
Total Survivor Benefits 6/30/1979	453	310	79	14
Total paid in Survivor Benefits 7/1/1978 to 6/30/1979 (12 months)	$ 1,381,169.	$964,243.	$214,026.	$101,090.
Retirement annuities Deferred (Future at age 60 or 65)	456	754	32	3
Total future liability (annually)	$ 1,455,082.	$1,750,702	$87,315.	$14,835.
Survivor Benefits (Future)	34	26	2	
Total future liability (annually)	$ 78,016.	$55,899.	$2,924.	

MEMBERSHIP STATISTICS

	CONSOLIDATED TOTALS	STATE DIVISION	SCHOOL DIVISION	MUNICIPAL DIVISION	JUDGES DIVISION
Total Membership May 31, 1979	111,628	44,566	60,479	6,262	321
Active members	94,557	36,311	52,505	5,501	240
Annuitants and Survivor Benefit Members	17,071	8,255	7,974	761	81
New Members Accepted June 1, 1978 to May 31, 1979	17,192	6,564	9,323	1,289	16
Active Members Deceased	63	31	30	2	0
Active Members Accounts Withdrawn	12,686	5,311	6,389	982	4

NEW DIVISION DIRECTOR

Bill Cahill was named director of investment operations during the past fiscal year. He began his new duties on March 1.

This new division on the PERA staff brings to eight the number of operational divisions.

Bill is responsible for subsidiary ledger accounting for PERA's investment portfolio of almost $2 billion. He directs a staff of four investment technicians who assist him in recording investment transactions and preparing financial reports and information for management, the PERA accounting office, outside investment advisors, portfolio evaluation service, and our independent auditors.

After graduation from Marquette University in Milwaukee, Bill soon became a Certified Public Accountant. He was an audit and tax manager for a C.P.A. firm in New York before moving to Denver. He was a controller for a Denver firm in 1977 when he came to PERA.

Bill is a member of the American Institute of Certified Public Accountants, and the Colorado and New York Societies of C.P.A.'s. He is married and has two children. Bill reports to Ken Peterson, assistant executive secretary for investments.

The other PERA Divisions are Accounting, Annuities, Building Services, Data Processing, Information Services, Office Services, and Retirement Services.

Bill Cahill

Articles in this Annual Report give only a general presentation of the benefit program. Coverage is governed and presented completely in Colorado State Law and the Rules and Regulations of the Retirement Board. These articles apply to State, School, and Municipal Divisions.

Insurance Note

Be sure to read the information about Open Enrollment for PERA's two insurance programs contained on pages 7-10 of this report. PERA endorses the programs for the good of the membership. The association has worked with Byerly & Company, employee benefit consultants, for many years in developing these fine programs.

During the past fiscal year, a supplement to the ***1977 PERA Rules and Regulations*** and an emergency rule pertaining to employees under the Comprehensive Employment and Training Act of 1973 were issued.

Among the subjects in which there were changes in the supplement were housing pay, leaves, transfers between divisions, disability retirement application procedures, and survivors' benefits. Contact the PERA office for copies of these rule changes.

Rules will soon be changed again by the Retirement Board to reflect recent changes in State Law relative to PERA.

DID YOU KNOW

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

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

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