

## Keeping a Steady Hand in Rough Waters

*PERA's investment portfolio is diversified to withstand market fluctuations.*

If you're nervous about the current economic turbulence, you're certainly not alone.

For many, opening the newspaper or turning on the TV means being confronted with financial news that is often both worrisome and perplexing. The reports have a language all their own, introducing the public to once-obscure financial terms like "subprime," "short selling," "hedge funds," and "derivatives."

Some Colorado PERA members have called the Customer Service Center with questions about how the volatility in the financial markets could impact their PERA accounts. Their questions and concern are understandable and we take them seriously. I wanted to take this opportunity to address these issues in a straightforward and clear manner.

PERA is able to pay out substantially more in retirement benefits than it collects in contributions from members and their employers because it invests its members' assets. PERA's investment portfolio is diversified to withstand market ups and downs. PERA's investments include both common categories like stocks and bonds and more unusual investment vehicles like timber, real estate, and venture capital.

Because PERA is such a big investor, with tens of billions of dollars in assets, our investment professionals can access investment opportunities that aren't available to typical individual investors

like you and me. PERA is guided by sophisticated investment advisors, including a strong in-house team led by Chief Investment Officer Jennifer Paquette and nationally respected outside experts.



*Meredith Williams  
Colorado PERA  
Executive Director*

Because of our size and buying power, we can manage our assets for proportionately lower fees than the typical investor can access.

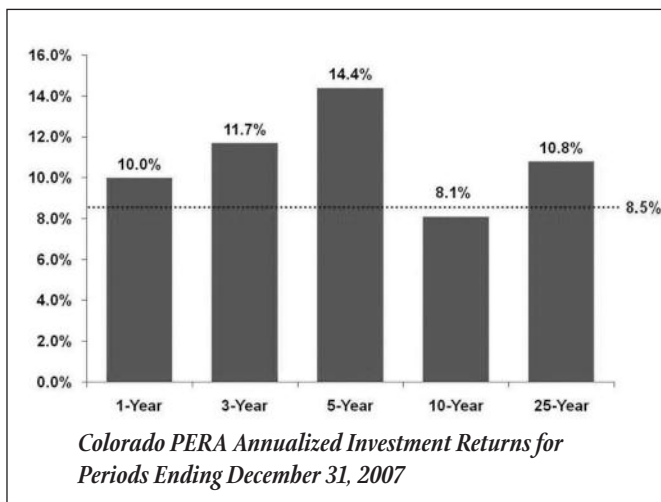
Another key difference between PERA and a typical individual investor is that PERA is a very long-term investor focused on a distant time horizon. In most cases, we have many decades to invest member and employer contributions before we pay a retirement benefit.

The Colorado PERA Board of Trustees has established an 8.5 percent average annual return assumption based on the unique mix of investments in the PERA portfolio. Inevitably, some years' returns will fall below that average, but we stay focused on the long term.

As the chart on the left shows, PERA historically has exceeded its long-term investment goal of an annual 8.5 average percent return. But there have been seven years over the past quarter century where returns fell below 8.5 percent.

Don't get me wrong: These are challenging times for all investors and PERA is no exception. However, even as we closely scrutinize the latest developments in the financial markets, we don't want to overreact to short-term economic turmoil. Our goal is to keep a steady hand in rough waters so that we can protect our promise to you.

Please feel free to share your comments with me at [Meredith@copera.org](mailto:Meredith@copera.org), and don't forget to check "Ask Meredith," a new blog on the PERA Web site, where I respond to member and retiree questions.





## About This Newsletter

Colorado PERA has over 149,000 members whose accounts are inactive, that is, these members no longer work for PERA-covered employers, but left their accounts at PERA. You are one of these inactive members. Whether you left your PERA-covered job recently or several years ago, this newsletter will give you up-to-date information about PERA.

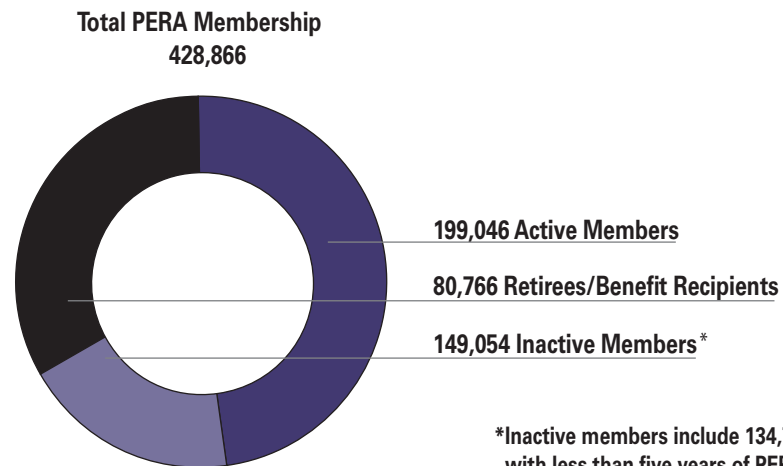
Members of Colorado PERA include employees of Colorado State government, most Colorado teachers and school district employees, many university and college employees, judges, employees of cities and towns, state troopers, and employees of a number of public entities. Colorado PERA is a substitute for Social Security for most of these public employees. This means when you were an active PERA member, unless your employer also participated in Social Security, you did not pay into Social Security.

Colorado PERA provides retirement and other benefits to the employees of more than 400 government agencies, school districts, and other public entities in the state of Colorado.

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### Colorado PERA Membership

As of September 30, 2008 (unaudited)



\*Inactive members include 134,789 with less than five years of PERA service and 14,265 with five years or more of PERA service.



For more information about your PERA account

- Call PERA's Customer Service Center at 303-832-9550 or 1-800-759-7372
- E-mail PERA by going to [www.copera.org](http://www.copera.org) and click on "Contact Us"
- Access secured information about your account with a PERA PIN

## Frequently Asked Questions By Inactive PERA Members

### **Q What is a defined benefit retirement plan?**

**A** PERA is an Internal Revenue Code Section 401(a) defined benefit retirement plan. A defined benefit retirement plan, sometimes called a pension, specifically defines what your benefit amount will be when you retire. For PERA, the benefit is based on the amount of service you accrued and a percentage of your highest average salary unless an alternative calculation based on your account balance and a matching amount yields a higher benefit.

### **Q What happens to my account if I refund?**

**A** By taking a refund of your PERA account, you forfeit your rights to any future benefits you may have as a member. This means you will not receive a PERA retirement benefit in the future for the time you worked for a PERA employer and you will not be eligible to participate in the PERACare Health Benefits Program or the PERA Life Insurance Program.

### **Q What if I decide to refund my account and then go back to work for a PERA-affiliated employer—can I get my account reinstated so I don't lose my previous service credit?**

**A** If you terminate PERA-covered employment and refund your PERA account, you forfeit the service credit you earned during that employment period. You may purchase all or a portion of the service credit you forfeited after returning to PERA membership and earning one year of service credit. Purchasing service credit on a refunded account will not (1) increase your earned service; (2) be used in determining your Highest Average Salary (HAS) for calculation of your PERA retirement benefit; (3) count toward eligibility to apply for the PERA Disability Program; or (4) entitle you to the benefit provisions associated with the previous period of membership.

### **Q If I decide to refund my account, will I get any of my previous employer's contributions made to PERA?**

**A** Yes, if you withdraw your account before reaching age 65 or the age and service requirements for retirement eligibility, your refund will include your PERA contributions, any payments you made to purchase service credit, interest earned, and a matching amount equal to 50 percent of your contributions and interest. If you withdraw your account after you reach age 65 or retirement eligibility, you will receive a 100 percent matching amount.

### **Q I've heard that I have 90 days to request a refund or I lose my employer match, is this true?**

**A** No, this is not true. You may leave your account at PERA and if you decide to refund at any point in the future, you will receive your contributions plus interest and a matching amount of either 50 percent or 100 percent depending upon your retirement eligibility when you take a refund. If you have been off your employer's payroll for more than 90 days, you do not need to have your *Refund Request* form certified by your former employer—you may mail it directly to PERA.

### **Q If I don't have five years of service credit, does the employer match still apply?**

**A** Yes, you will always receive a matching amount of either 50 percent or 100 percent when you refund regardless of the amount of service credit you have.

### **Q If I don't have five years of service credit, does this mean I am not eligible for a future PERA benefit?**

**A** No, If you leave your PERA member contribution account at PERA after leaving PERA-covered employment, you do not need five years of service in order to be eligible for a PERA retirement benefit, beginning at age 65. The age at which you are eligible to receive a monthly retirement benefit varies according to your PERA service credit.

### **Annual Member Statement**

To find out how much money you have in your PERA account, check your Annual Member Statement. This statement is sent to you every year about two months after the anniversary of the date you began PERA-covered employment.

### **Need a PERA PIN?**

With a PERA Personal Identification Number, or PIN, you can access a variety of information related to your PERA account and complete some forms online.

To request a PIN, click on the Account Access icon on the PERA home page, then click on the request a PIN link. You will receive your PERA PIN within seven to ten business days.

### **Q What are the tax consequences of refunding my PERA account?**

**A** Contributions made to PERA before July 1, 1984, were considered tax-paid and not subject to income tax. Contributions made to PERA after July 1, 1984, and the interest earned on your account are tax-deferred. So, when you request a refund of your account, all of the tax-deferred amounts in your refund are subject to federal and state income tax. This also means you will receive only 80 percent of the tax-deferred amount of the refund because PERA is required to withhold 20 percent of that amount and send it to the IRS to be credited against your taxes. If you receive the refund before you are age 59½, you may have to pay an additional 10 percent penalty to the IRS. You can avoid the withholding and penalty by taking your refund as a rollover to another qualified retirement plan or any other tax-deferred account like an IRA. State tax is not withheld, but you may be responsible for paying applicable state taxes on the refunded amount when you file your state tax return.

### **Q Can't I just write PERA a letter stating that I'd like to keep my account there until I'm ready to take it out—why do I have to call every year?**

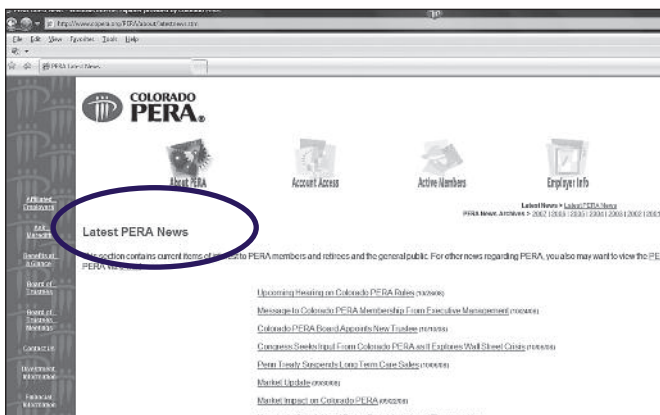
**A** Yes, you can write us a letter or you may call or e-mail PERA's Customer Service Center to claim your account. While it's not mandatory that you contact us every year, under Colorado State law, PERA must hear from you every five years. If we don't, your account may be transferred to the State's Unclaimed Property Fund. If you have five or more years of service with PERA, you are considered "vested" and your money will not be sent to the State's Unclaimed Property Fund even if we do not hear from you every five years.

## **Required Minimum Distribution**

As an inactive PERA member, you must either refund or start a monthly benefit by April 1 following the later of (a) the year in which you reach age 70½ or (b) the year in which you retire (terminate PERA-covered employment). If you fail to take the distribution when required, the IRS will impose a tax penalty of 50 percent on the money you should have withdrawn, but did not. This penalty is in addition to regular income tax.

## **Where to Find More Information**

Your best place to find breaking news about PERA is the Latest News section of PERA's Web site at [www.copera.org](http://www.copera.org). Additional information can be found in the new Ask Meredith blog also on PERA's Web site (a link to the blog is on the left side when on the Latest News page).



## **How to Claim Your Account**

- **On the Web**  
Unclaimed PERA accounts may be claimed by going to the Colorado PERA Web site at [www.copera.org](http://www.copera.org) and clicking on the "Contact Us" link. Next, click on "To Claim Your PERA Account." Finally, select either "I want to leave my account with PERA." OR "I plan to withdraw my PERA account." Complete the information as required.
- **By Calling PERA**  
You may also call PERA at 1-800-759-7372 or 303-832-9550 after 5:30 p.m. and press "3" to leave a message to claim your account.
- **By Writing PERA**  
Write us at PERA,  
PO Box 5800, Denver, CO  
80217-5800.

When contacting PERA, please include your name, Social Security number, full address, and daytime phone number. Please sign all requests.

Please note that accounts must be claimed by the person whose name is on the account. Spouses, family members, or other individuals cannot claim your account on your behalf.

If you have five or more years of service with PERA, you are considered "vested" and your money will not be sent to the State's Unclaimed Property Fund even if we do not hear from you every five years.

***“PERA will continue to be prudent with our members’ and employers’ contributions and be responsible in making investments on behalf of our membership.”***

## **Market Update**

As the U.S. stock market continues to suffer dramatic declines, the magnitude of the current financial crisis and the impact on our investment portfolio continues to be carefully analyzed and monitored. PERA is responding to current economic and financial distress with caution and prudence.

PERA’s portfolio is suffering along with the vast majority of other large long-term institutional investors. We are making our way through these uncertain times the same way we have made it through stronger markets.

We continue to scrutinize the over 17,000 investment positions we hold on behalf of our members and retirees. We manage our investments in stocks, bonds, real estate, private equity, and timber in the same risk framework we have relied upon in the recent past. The PERA Board of Trustees exercises careful oversight, our internal and external investment managers assess markets and risk factors, and our external consultants lend national perspective to our challenges and accomplishments.

While many eyes across America are focused on the daily change of stock prices, the seizing up of credit markets is a critical component of our nation’s current distress. Financial institutions provide investment capital to individuals as well as to companies large and small. The current paralysis in lending and access to other capital is serious. Some important steps have been taken by many institutions including the Federal Reserve, the U.S. Treasury, and the U.S. Congress. However, we believe that additional steps will need to be taken before we will see a return to more normally functioning markets where there are both buyers and sellers that allow for the crucial flow of capital in our economy.

We can point to reductions in some parts of our investment program and to our decisions not to enter certain markets in recent years that have served us well. We can also note the expansion of some parts of our program that have proven to be sound. This, however, does not negate the fact that we, too, suffer along with the markets. Additionally, we can point to our steadfast



investment policies which have been tried and tested over the years to describe how we will make our way through challenges that face us today and in the weeks and months to come. We will continue to mitigate our downside risks while maintaining a large, diversified portfolio with a focus on long-term results. We will forge ahead with our culture of seeking innovation, seizing opportunities, and exercising the wise judgment to pass on opportunities that are not likely to be rewarded.

What does this mean for Colorado PERA benefit recipients and members? It means that PERA will continue to be prudent with our members’ and employers’ contributions and be responsible in making investments on behalf of our membership. Colorado PERA wants you to know that we are doing everything possible to protect the retirements of current and future PERA members and that we will remain vigilant in the uncertain times ahead.



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Colorado Public Employees' Retirement Association • 1300 Logan Street • Denver, Colorado 80203  
www.copera.org • 1-800-759-7372 (PERA) • 303-832-9550

## Benefits of Leaving Your Account at Colorado PERA

After leaving PERA-covered employment, you should decide if you would like to leave your account at PERA or refund it.

### Leaving Your Account at PERA

- Your account will continue to earn interest. The interest rate is set by the PERA Board of Trustees and is subject to change annually. Currently, the interest rate is 5 percent compounded annually; however, effective January 1, 2009, it will change to 3 percent compounded annually.
- You will keep the service credit earned while you were employed and your account will pick up where it left off—it will be added to future service credit—if you return to PERA-covered employment.
- You may choose to receive a benefit or a refund with a 100 percent match on contributions and interest when you are eligible for a retirement benefit.
- You may enroll in the PERACare Health Benefits Program if you choose to receive a monthly benefit in the future.
- You may continue coverage in the PERA Life Insurance Program if you were enrolled when you left PERA-covered employment.
- You will preserve income earmarked for your retirement.

- If you die while an inactive PERA member, your spouse or beneficiaries would be eligible to receive a lump-sum payment of your account balance plus a 100 percent match on your contributions and interest.

### Refunding Your PERA Account

If you choose to refund your PERA account, keep in mind the following:

- You will forfeit any benefit rights you may have had as an inactive member.
- Your tax-deferred portion of your account will be subject to federal and state income taxes in the year in which your refund was issued unless it was rolled over to another tax-deferred plan.
- You may be subject to an IRS early withdrawal tax penalty if you are under age 59½.
- You will lose an important source of guaranteed retirement income.
- You will lose access to PERACare.
- If you return to PERA-covered employment, you will not gain the rights associated with the service of your refunded account, even if you reinstate it. You will also be subject to the benefits and other provisions in effect at the time of rejoining PERA.