



PERA

for media contacts



Our vision is to become the retirement plan of choice for all Colorado public employees.



What is Colorado PERA?

The Colorado Public Employees' Retirement Association was established in 1931 by the Colorado General Assembly, at the request of a group of state employees who foresaw the need for a safe and secure retirement system. Since then, PERA continues to serve more than 430,000 public employees by providing a lifetime retirement benefit and other voluntary investment and insurance products.

PERA is a "qualified" retirement plan under the Internal Revenue Code Section 401(a). As a defined benefit plan, PERA benefits are guaranteed based on a benefit formula that is set by law. For most PERA members, PERA serves as a substitute for Social Security.

The function of PERA is to provide present and future retirement or survivor benefits for its members.

Membership in Colorado PERA

Currently, more than 190,000 employees of state government, public schools, universities and colleges, and many cities and local government districts are members of PERA, and more than 400 Colorado public employers are affiliated with PERA.

PERA membership includes the following:

- Employees of the State of Colorado
- All school districts (Denver Public Schools joins PERA on January 1, 2010)
- Judges in the Colorado judicial system
- Many municipalities, special districts, public health departments, and other local government entities

For funding purposes, members and employers are divided into four divisions—State, School, Local Government, and Judicial. On January 1, 2010, the DPS Division will be added.

Governance of Colorado PERA

Colorado PERA operates by authority of the Colorado General Assembly and is administered under Title 24, Article 51, of the Colorado Revised Statutes. As an instrumentality of the state, PERA regularly reports to various legislative committees, and the State Auditor conducts an annual financial audit of PERA. Benefits, contribution rates, and some investment parameters are legislated by the Colorado General Assembly.

Board Structure

Colorado PERA is governed by a 16-member Board of Trustees; 11 Trustees are elected by the membership for four-year terms and serve without compensation. The State Treasurer and three Governor appointees also serve as voting Trustees. A Denver Public Schools Division seat is held by a non-voting ex officio Trustee. According to state law, Trustees shall include:

- Four members of the School Division
- Three members of the State Division
- One member of the Local Government Division
- One member of the Judicial Division
- Two retirees
- State Treasurer (ex officio)
- Three members appointed by the Governor and confirmed by the Senate
- One member appointed by DPS (ex officio, non-voting)

Responsibilities of the Board

As specified in Colorado law, Colorado PERA's purpose is to provide benefits and programs to more than 430,000 members and benefit recipients. These benefits and programs are managed by the PERA Board of Trustees. The Board governs PERA by establishing administrative and investment policy, while the Colorado General Assembly sets benefits and contribution levels.

To guide PERA in the administration of the State law, the Board established the following mission and vision statements:

Mission—To promote long-term financial security for our membership while maintaining the stability of the fund.

Vision—To become the retirement plan of choice for all Colorado public employees.

As required by Colorado law, PERA Trustees must act with care, skill, prudence, loyalty, and diligence in light of the circumstances that a prudent person acting in similar circumstances would use. This standard of conduct requires that PERA Trustees act in the best interest of the entire PERA membership regardless of the Division from which the Trustee is elected.

Colorado PERA Membership

Membership in Colorado PERA consists of active members, retirees, benefit recipients, and inactive members (members with PERA service, but who no longer work for a PERA-covered employer, and have left their accounts at PERA).

Total PERA Membership as of December 31, 2008

Active Members—190,684
 Retirees and Benefit Recipients—81,248
 Inactive Members—143,138
 Total Membership—430,619

Colorado PERA Benefit Recipients as of December 31, 2008

Average Monthly Benefit—\$2,772
 Average Age of PERA Retirees—69.0
 Average Age at Retirement—58.0
 Average Years of Service at Retirement—23.2

Contributions to Colorado PERA

PERA members contribute 8 percent of their monthly salaries to PERA (State Troopers contribute 10 percent). Member contributions earn a fixed rate of interest. The interest rate is set by the PERA Board and is subject to change annually. The current interest rate is 3 percent compounded annually.

PERA-affiliated employers contribute a percentage of total payroll to PERA according to state law. In 2006, employers began contributing an additional 0.5 percent of total payroll for the Amortization Equalization Disbursement (AED). As specified in current state law, the AED increased by 0.5 percent in 2007, and will then increase 0.4 percent per year to a maximum of 3 percent of salary by 2012.

Legislation signed into law in May 2006 requires employers to submit a Supplemental Amortization Equalization Disbursement (SAED). The SAED is also an amount contributed by employers and is, to the extent permitted by law, to be funded by monies otherwise available for employee wage increases. The SAED increases gradually between 2008 and 2013. For more information, please see PERA's *Member and Employer Contribution Fact Sheet*.

A portion (1.02 percent) of the employer contribution goes to the Health Care Trust Fund (HCTF) to pay health care premium subsidies for benefit recipients. The remaining amount is deposited in a pension trust fund established for each division to pay retirement, survivor, and disability benefits.

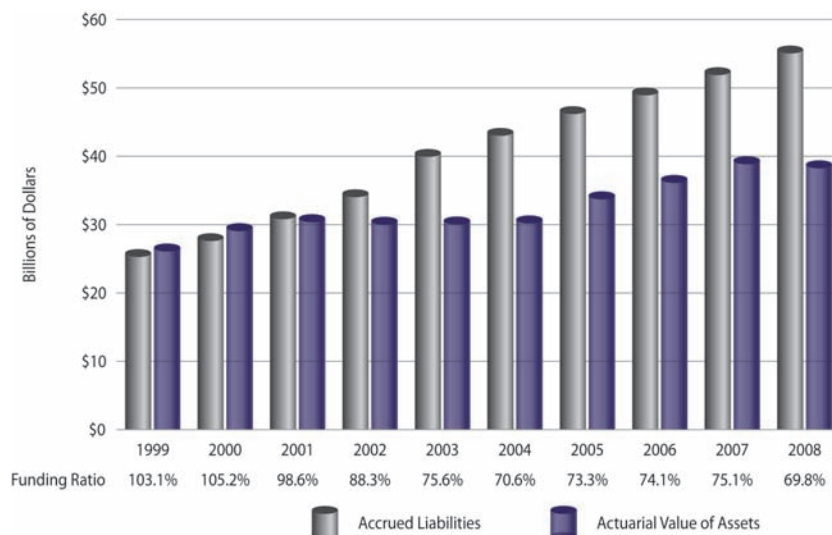
Management of Colorado PERA Investments

A significant source of revenue to Colorado PERA is income from the investment portfolio. The PERA Board of Trustees has the responsibility for the investment of PERA's funds. These funds are invested in common stocks of domestic and international companies, corporate bonds, U.S. Treasury and other government securities, mortgages, real estate property, and other investment vehicles. PERA staff manages over 50 percent of the PERA investment portfolio. PERA saves tens of millions of dollars each year by using internal investment professionals.

Employer Statutory Contribution Rates Effective January 1, 2009

	Employer Contribution	AED	SAED	Total
State Division	10.15%	1.80%	1.00%	12.95%
School Division	10.15%	1.80%	1.00%	12.95%
State Troopers	12.85%	1.80%	1.00%	15.65%
Local Government Division	10.00%	1.80%	1.00%	12.80%
Judicial Division	13.66%	1.80%	1.00%	16.46%

Assets as a Percent of Accrued Liabilities (Funding Ratio)



Funding of Colorado PERA

Colorado PERA's funding objective is to be able to pay long-term benefit promises through contributions that remain approximately level from year to year as a percent of salaries earned by members. In this way, members and employers in each year pay their fair share for retirement service earned in that year by PERA members. If the retirement system follows level contribution rate financing principles, the system will be able to pay all promised benefits when due. This is the ultimate test of financial soundness.

The actuarial value of assets is not the current market value. Rather it is a market-related value which smoothes out volatility in the market value over four years. Using this smoothing technique allows for a more even valuation from year-to-year, and reduces the impact of market ups and downs.

What is a Defined Benefit Plan?

The PERA Defined Benefit plan is a hybrid defined benefit plan. It is designed to attract and retain employees who are interested in working in PERA-covered employment for a large part of their careers, while providing greater portability for short-term employees than a traditional defined benefit plan. Plans such as PERA invest for all beneficiaries, and individual contributors do not control the amount of their contributions nor their investments. Under the basic definition of a defined benefit plan, members who have met the

age and service requirements are guaranteed a retirement benefit based on a formula set by Colorado law.

The basic PERA benefit formula is as follows:

Retirement Benefit = 2.5% x HAS x Years of Service

HAS or Highest Average Salary—One-twelfth of the average of the three highest salaries earned in periods of 12 consecutive months under PERA-covered employment.

Years of Service—The member's years and months of work, or service, for a PERA-covered employer.

Multiplier—The multiplier is established by the Legislature. The current multiplier is 2.5 percent for all members.

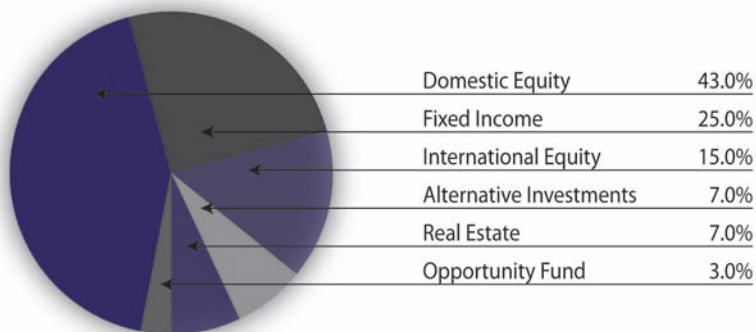
What is a Defined Contribution Plan?

A defined contribution plan is generally labeled according to the governing section of the Internal Revenue Code such as 401(k), 403(b), 457, or a 401(a) plan. Employees contribute to a tax-deferred plan and make their own investment decisions. The retirement benefit equals the amount accumulated in the account over time and the benefit ends when the account balance is depleted. The amount of a benefit from a defined contribution plan can be difficult to determine given that the amount depends on the success of the individual's investment decisions, when withdrawals begin, and life expectancy. PERA members may voluntarily participate in PERA's \$1.5 billion 401(k) Plan. PERA also offers a voluntary 457 Plan

to employees of certain PERA employers. Some employees of the State of Colorado (and certain community colleges) can participate in a defined contribution (DC) plan in lieu of PERA's defined benefit plan. The choices available in the PERA DC Plan mirror those available to participants in PERA's 401(k) Plan.

Colorado PERA Target Allocations

For the period ended December 31, 2008 (does not include the 401(k) Plan)



Financial Information

\$43 billion net assets as of December 31, 2007

2008	
Contributions \$1.7 billion	
Employer	\$864M
Member	\$717M
Retiree Health Care and Life Premiums	\$104M
Purchased Service	\$33M
Other	\$17M
Medicare Retiree Drug Subsidy	\$14M

Investments -\$11.0 billion	
Net Change in Fair Value	-\$11,917M
Interest	\$424M
Dividends	\$410M
Real Estate/Timber/Alternative Investments	\$164M
Securities Lending	\$21M
Investment Expense	-\$108M

Benefits Paid -\$3.1 billion	
Benefit Recipients	-\$2,792M
Refunds	-\$228M
Administrative Expenses	-\$41M
Other	-\$12M
Disability/Life Insurance	-\$8M

\$31 billion net assets as of December 31, 2008

Purchasing Service Credit

Colorado state law allows PERA members to purchase service to be able to retire earlier, retire with a larger benefit, or both. Many members like the idea that their dollars invested with PERA go toward lifetime benefits that do not fluctuate with the market.

PERA's purchasing program allows the continuation of pension coverage from one employer to the next—also known as pension portability. Purchasing service credit with PERA is a way to transfer qualified pension assets from one qualified pension plan to PERA and to gain service credit associated with those assets. Purchasing also allows members a way to consolidate various retirement savings accounts into one account and to develop a plan tailored to meet their individual retirement income goals.

The cost to purchase service credit is based on the actuarial cost of providing the future benefit resulting from the purchase. It is calculated by using the member's HAS and age at the time of purchase. Only 10 years may be purchased.

Benefits At A Glance

PERA provides its members and retirees with a comprehensive benefit package that includes the following:

- Lifetime retirement benefits
- Survivor and disability benefits
- Good portability provisions
- Voluntary 401(k) and 457 investment plans
- Guaranteed tax-deferred interest on member contributions (set by the Board and subject to change annually)
- Voluntary life insurance and long-term care insurance programs
- Annual cost-of-living increases in retirement benefits
- PERACare active/retiree health care

Confidentiality

Colorado PERA does not disclose any information about a PERA member's/retiree's account to anyone other than the member/retiree without an authorization release allowing PERA to release information to specific individuals/entities.

Did You Know?

- Colorado PERA is the 25th largest public pension plan in the United States and the 54th largest pension plan in the world.
- Membership in Colorado PERA includes other benefits such as survivor and disability benefits, and access to optional life insurance and long term care insurance programs.
- Colorado PERA members may participate in the Colorado PERA 401(k) Plan, which is the sixth largest public 401(k) plan in the nation.
- Colorado PERA has more than \$384 million of investments with companies and partnerships that have chosen Colorado as their corporate headquarters.
- About 87 percent of Colorado PERA retirees and benefit recipients stay in Colorado after retirement, which further supports the State's economy.
- In 2008, Colorado PERA paid \$2.8 billion to retirees in Colorado.
- Colorado PERA investments fund the majority of benefits provided to members (65 cents on the dollar) and the remaining 35 cents comes from employer contributions (17 cents) and member contributions (18 cents).
- Colorado PERA has 236 employees who invest money and deliver benefits on the behalf of more than 430,000 former and current public employees.



This brochure provides general information about PERA benefits. PERA membership rights, benefits, and obligations are governed by Title 24, Article 51 of the Colorado Revised Statutes, and the Rules of the Colorado Public Employees' Retirement Association, which take precedence over any interpretations in this brochure.



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