

What is Colorado PERA?

The Colorado Public Employees' Retirement Association, or Colorado PERA, provides retirement and other benefits to the employees of more than 411 government agencies and public entities in the State of Colorado. With assets of more than \$35.0 billion, Colorado PERA is the 21st largest public pension plan in the United States.

Established by State law in 1931, Colorado PERA operates by authority of the Colorado General Assembly and is administered under Title 24, Article 51 of the Colorado Revised Statutes. In accordance with its duty to administer Colorado PERA, the Board of Trustees has the authority to adopt and revise rules in accordance with State statutes.

Colorado PERA's membership includes employees of Colorado State government, all public school teachers in the State, many university and college employees, judges, many employees of cities and towns, State Troopers, and the employees of a number of other public entities.

For most members, Colorado PERA is a substitute for Social Security. Colorado PERA benefits are pre-funded, which means while a member is working, he or she is required to contribute a fixed percentage of their salary to the retirement trust funds. Employer and member contributions are tax-deferred.

The trust funds are then invested by Colorado PERA under the direction of a Board of Trustees. Colorado PERA's investment strategy uses actuarially established investment objectives with long-term goals and policies.

Guiding Principles

Throughout Colorado PERA's history, all Colorado PERA activities adhere to the guiding principles of customer focus, ethical conduct, accountability, excellence, and ongoing process improvement.

Colorado PERA is governed by a 16-member Board of Trustees; 11 members are elected by the membership to serve four-year terms and three are appointed by the Governor and confirmed by the Senate. The State Treasurer and a representative from the Denver Public Schools Division serve as ex officio trustees. Colorado PERA's Board of Trustees are fiduciaries who are held to a high standard of prudence when investing the trust fund dollars on behalf of the Colorado PERA membership.

Approximately 255 Colorado PERA staff members are responsible for the day-to-day operations of Colorado PERA. This staff manages the investment process, administers the payment of benefits, and provides other support services.

Colorado PERA's Mission Statement

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

Colorado PERA's Vision Statement

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

Colorado PERA Highlights 2009

(As reported in the 2009 Colorado PERA Comprehensive Annual Financial Report)

Benefit Recipients	84,088
Contributing Members	190,206
Service Retirements	4,096
Disability Retirements	142
Benefit Payments	\$2,800,087,000
Average Monthly Benefit	\$2,885
Employer Contributions	\$951,095,000
Member Contributions	\$732,510,000

Frequently Asked Questions About Affiliating With Colorado PERA

Who may affiliate with Colorado PERA?

Colorado State law provides that any political subdivision within the State, or any public agency created by the State or any of its political subdivisions, may affiliate with Colorado PERA. Title 24, Article 51, Section 309, of Colorado Revised Statutes (C.R.S.) refers to the affiliation by public entities. Employers who would belong to Colorado PERA's Local Government Division may voluntarily join Colorado PERA. Some public employers are required by statute to belong to Colorado PERA, such as public schools, charter schools, and State agencies.

Colorado PERA Rules, as approved by the Board of Trustees, further explain affiliation procedures. Local government entities and special districts that affiliate with Colorado PERA are assigned to the Local Government Division. Colorado State law does not permit private, nonprofit corporations organized under Internal Revenue Code Section 501(c)(3) (like mental health organizations, child care centers, or private schools) to join Colorado PERA.

The following are examples of public entities that may affiliate with Colorado PERA in the Local Government Division:

- Counties
- Municipalities including cities, towns, and villages
- County and District Health Departments
- Housing Authorities
- Library Districts
- Planning Commissions
- Public Hospitals
- Special Tax Districts (Fire Protection, Parks and Recreation, Sanitation, Water, Metropolitan, Transportation, and Drainage and Flood Control Districts)

How many employees are needed for an employer to affiliate?

There is no minimum number of employees required for an entity to affiliate with Colorado PERA. Colorado PERA covers public employers with as many as 12,000 employees and as few as one part-time employee.

When may an entity affiliate with Colorado PERA?

An entity may affiliate with Colorado PERA at any time. Affiliation starts the first day of the month following the receipt of the proper resolution or on a date as specified by the resolution or by the public employer.

Affiliation cannot be retroactive to access a previous benefit structure.

How does a group affiliate with Colorado PERA?

The governing board of the county, municipality, special district, or other public entity must pass a resolution to affiliate with Colorado PERA at a regularly scheduled public meeting similar to the examples on page 7 of this guide. The following three signatures are required on a resolution: (1) the chairman or president of the board, city council, or county commission; (2) the mayor, city manager, or administrator; and (3) the mayor, city manager, or administrator, a second time, to certify that the resolution is a true copy.

What employees must join Colorado PERA when an employer affiliates?

Upon affiliation, nearly all current employees, including full-time, part-time, temporary, substitute, seasonal workers, and board, council, or commission members who are compensated, must join Colorado PERA. Completed Colorado PERA *Member Information Forms* must be submitted within 30 days of affiliation.

However, Colorado PERA participation is optional for elected officials of a municipality and for city managers and key management staff reporting directly to the city manager or city council. They must decide to choose Colorado PERA coverage or elect to be exempt from Colorado PERA coverage within 60 days of affiliation or hire. This decision cannot be changed. However, if the city manager and the key management staff who report directly to the city council or the city manager elect to be exempt and later their employment changes to a job that is subject to Colorado PERA coverage, coverage

Transition to Colorado PERA

Colorado PERA provides complete transition services for new affiliates including:

- New member orientation sessions
- Contribution reporting set-up assistance
- Merging existing retirement plans into Colorado PERA's optional 401(k) Plan

is then required. Colorado PERA coverage is required, by law, for elected officials of all other local governments such as counties and special districts.

After an entity affiliates, all new employees must become members of Colorado PERA.

The following are employees who are ineligible for membership in Colorado PERA:

- Election judges who earn less than \$1,000 per year and persons hired to respond to natural disasters.
- Police officers/firefighters of a municipality or district with current or past affiliation with the Fire and Police Pension Association (FPPA) of Colorado.

Can a member drop Colorado PERA?

No. Once an employee becomes a Colorado PERA member, that person must continue to contribute to Colorado PERA until termination of covered employment, death, or retirement.

Can an affiliated employer withdraw from Colorado PERA?

Local Government affiliates may disaffiliate. Disaffiliation provisions are found in C.R.S. § 24-51-313. If a disaffiliation is approved, actuarial account balances are transferred to the employer's new retirement program.

Can police officers and firefighters be members of Colorado PERA?

Police officers and firefighters are not eligible for Colorado PERA coverage if they are covered by an existing retirement system pursuant to Colorado law. Police officers and firefighters may be covered under Colorado PERA if the local government unit or special

district has no current or past affiliation with FPPA, including FPPA disability coverage. If a certified police officer or firefighter does not perform the duties of a police officer or firefighter and the local government unit or special district affiliates with Colorado PERA, coverage for these individuals is required. Civilian employees of police and fire departments/districts affiliated with Colorado PERA must be covered.

What happens to a member's account when the member terminates Colorado PERA-covered employment?

A Colorado PERA member who terminates employment before retirement may leave his or her account with Colorado PERA or withdraw it. A member may begin drawing a lifetime monthly benefit when he or she is eligible for retirement or at age 65. A member who leaves an account with Colorado PERA and requests a lump-sum payment (refund) when he or she is eligible for retirement or at age 65, would receive contributions, any payments made to purchase service credit, interest earned, and a matching amount equal to 100 percent of contributions and interest.

If a member refunds before he or she is eligible for retirement or at age 65, the member would receive contributions, any payments made to purchase service credit, interest earned, and a matching amount equal to 50 percent of contributions and interest. *Effective January 1, 2011*, there are specific criteria to meet in order to be eligible for the 50 percent match. See the *Terminating PERA-Covered Employment* booklet for detailed information.

Pension Plan Coverage is Required for Employees

According to the Omnibus Budget Reconciliation Act of 1990, beginning in July 1991, all public employees must be covered by Social Security or a qualified retirement plan. Colorado PERA operates as a qualified retirement plan under IRC Section 401(a).

The Cost of Colorado PERA Coverage

What is the employer contribution rate for Colorado PERA?

As a Local Government Division employer, you contribute 10 percent of total payroll to Colorado PERA (employees contribute 8 percent of their salary to Colorado PERA). This contribution rate is set by State law in C.R.S. § 24-51-401 and the rate can be changed by legislation.

In 2004 and 2006, legislation was approved that requires an Amortization Equalization Disbursement (AED) and Supplemental AED (SAED). Under Statute, the SAED shall, to the extent permitted by law, be funded by funds otherwise available for pay increases. These additional employer contributions based on total payroll are designed to reduce the trust's unfunded liability.

Employer costs will remain at 2010 rates unless the funded ratio of the Local Government Division reaches 103 percent funded or greater, then the AED and SAED may be reduced by 0.5 percent each year based on an annual actuarial study. If after reaching 90 percent funded, the Local Government Division falls below 90 percent funded, the AED and SAED may be increased by 0.5 percent respectively each year.

The AED and SAED are set at a maximum of 5 percent.

In addition to funding a future retirement benefit, by law, a portion of the employer contribution (1.02 percent) is used for the Colorado PERA Health Care Trust Fund to pre-fund the premium subsidy for benefit recipients who are enrolled in PERACare. Employer contributions and earnings also fund survivor and disability benefits for active members. The cost of these benefits for calendar year 2011, for Local Government Division members, is estimated at about 0.15 percent of pay for survivor benefits and 0.19 percent of pay for disability retirement benefits.

Colorado PERA Local Government Division Contribution Rates

	Employer Rate	AED	SAED	Total Employer Cost
2010	10.00%	2.2%	1.5%	13.70%

PERACare Health Benefits Program Available to Affiliated Employers

The PERACare Health Benefits Program includes medical, vision, and dental plans, and is available to Colorado PERA-affiliated employers for their employees who are Colorado PERA members. In 2010, the PERACare program offers medical plans through Anthem Blue Cross and Blue Shield and Kaiser Permanente, depending on the employer's location. The program provides one dental carrier offering a dental HMO and one PPO plan and one vision carrier offering three PPO plans. PERACare's benefits are the same as the retiree plans but with competitive premiums rated for active workers. The PERACare program handles COBRA administration, open enrollment activities, and features easy monthly electronic billing of employers.

Colorado PERA and Social Security

What is the cost for Social Security coverage?

The FICA tax rate for Social Security coverage is 6.2 percent of payroll and the mandatory Medicare tax is 1.45 percent of pay for the employee and employer. Both rates are set by Congress.

Federal law requires that all public employees hired after March 31, 1986, and their employers, pay the Medicare tax of 1.45 percent each, even if they are not affiliated with Social Security.

Can an employer withdraw from Social Security?

No, an employer who has a Section 218 agreement with the State of Colorado must continue Social Security coverage. Call the Colorado Department of Labor and Employment's Public Employees' Social Security (PESS) Program specialist at 303-318-8060 to determine the status of any Section 218 agreement your organization may have with Social Security.

What if I have applied for Social Security coverage but have not been approved yet?

Formal approval of an employer's application for Social Security coverage can take anywhere from several months to several years to complete. If you decide to affiliate with Colorado PERA and have previously applied for Social Security coverage but have not yet been approved, you may be able to withdraw your Social Security application. This would prevent paying the additional employee and employer contributions to Social Security. If you do not withdraw your application and it is approved after affiliating with Colorado PERA, you could be required to contribute to both systems. In some cases, public employers may have been paying into Social Security, but did not complete a Section 218 agreement. In that case, the employer may discontinue Social Security payments. Call the Colorado Department of Labor and Employment's Public Employees' Social Security (PESS) Program specialist at 303-318-8060 for more information.

Can an employer be covered by Social Security and Colorado PERA?

Yes, Colorado PERA does have a few affiliated employers who provide both types of coverage.

Can a person receive both Colorado PERA and Social Security (FICA) benefits?

Yes, a person can receive benefits from both sources. However, the Social Security benefit a person receives when also receiving benefits for work not covered by Social Security may be reduced unless the employer contributes to both Social Security and an employer-sponsored plan

How Does Colorado PERA Compare With Social Security?

Colorado PERA benefits are generally higher and can be paid earlier than Social Security benefits. Individuals who want to know more about Social Security benefits should contact their local Social Security office. The information packet that you receive from Colorado PERA with this guide includes a comparison of Colorado PERA and Social Security.

Colorado PERA benefits

Colorado PERA is a hybrid defined benefit retirement plan. Generally, retirement benefits are based on age, years of service credit, and Highest Average Salary (HAS) or a money purchase calculation. HAS is one-twelfth of the average of the highest annual salaries on which Colorado PERA contributions were paid that are associated with three periods of 12 consecutive months of service credit. Because the highest three salaries are frequently the last three years before retirement, the benefit reflects the cost-of-living at the time of retirement.

For each year of service up to 40 years, a member receives 2.5 percent of HAS for service retirement. A reduced service retirement benefit may be paid to members who retire prior to reaching service retirement eligibility. Under the Colorado PERA Benefit structure, the maximum benefit is 100 percent of HAS. Certain benefit changes were implemented for new hires in July 2005 and January 2007. Additional legislative changes to the Colorado PERA

like Colorado PERA. If a Colorado PERA employer is required to continue paying the FICA tax, employees would receive full Social Security benefits and the Colorado PERA benefit at retirement. Please contact the Social Security Administration (1-800-772-1213) for information concerning the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) benefit reduction rules or review the *PERA & Social Security* brochure.

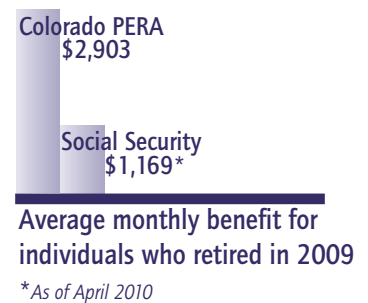
benefit structure will be implemented in 2011 as provided under SB 10-001. See Colorado PERA's *Your PERA Benefits* booklet or PERA's Web site for a complete listing of *PERA Highest Average Salary Percentages Tables*.

Colorado PERA also calculates benefits using an account balance method called a money purchase retirement benefit. This calculation may favor a member who works for a Colorado PERA-covered employer for a period of time, then leaves coverage, and at retirement age or age 65, applies for a benefit. The calculation uses the amount of member contributions plus interest compounded annually from the date of membership until retirement eligibility or age 65. The interest rate is set by the Colorado PERA Board of Trustees and is subject to change annually. The current interest rate is 3 percent compounded annually.

After retirement, Colorado PERA provides an annual increase for benefit recipients.

Benefit recipients are eligible for a benefit increase based on their retirement date and whether they are receiving a full service or reduced retirement benefit. The amount a benefit recipient receives is based on when Colorado PERA membership began:

- If a benefit recipient began membership on or before December 31, 2006, or retired under the DPS benefit structure, beginning January 1, 2011, the plan currently provides



Additional Information:

- *Colorado PERA Rules*
- *Colorado PERA Law*
- *Your PERA Benefits*
- *PERA & Social Security*

for an annual increase of 2 percent, unless the Colorado PERA fund has a negative investment year. In the event that there is a negative investment year, the annual increase for the following three years will be the lesser of 2 percent or the average of the months of the CPI-W for the prior calendar year.

- If a benefit recipient began membership on or after January 1, 2007, the plan currently provides for an annual increase of the lower

of 2 percent or the CPI-W, or a permanent increase for benefit recipients that will exhaust 10 percent of the year-end balance of the market value of the annual increase reserve. Annual benefit increases are limited to available funds dedicated to this purpose.

For all benefit recipients, the annual increase is paid in July. For details regarding eligibility for the annual increase, see Colorado PERA's *Retirement Process* booklet.

New Colorado PERA Affiliates

Local governments represent 142 of Colorado PERA-affiliated employers. Since 2000, 49 local governments have affiliated with Colorado PERA. As a Colorado PERA affiliate, your employees will have access to the following benefits:

- Lifetime retirement benefits.
- Good portability provisions.
- Guaranteed tax-deferred interest (currently 3 percent) on member contributions.
- A two-tier disability benefit program for members with five years of earned service credit. One tier is short-term disability insurance provided by the Disability Program Administrator and the other is a Colorado PERA disability retirement benefit.
- The opportunity to increase Colorado PERA service credit by purchasing additional years of service with Colorado PERA.
- Optional health care coverage through the PERACare Health Benefits Program for employees of Colorado PERA-affiliated employers that adopt the plan.
- Voluntary life insurance.
- A voluntary tax-deferred 401(k) investment program.
- Voluntary long-term care insurance.
- Optional, subsidized retiree health care coverage through the PERACare Health Benefits Program for benefit recipients and their qualified dependents.
- For members also covered by Social Security, no reductions to Social Security benefits.

See the *Your PERA Benefits* booklet on Colorado PERA's Web site at www.copera.org for a detailed explanation of these benefits.

**For Questions About
Affiliating With
Colorado PERA**

Call Dennis Gatlin,
Colorado PERA's
Field Education
Manager at
303-863-3788,
or e-mail
dgatlin@copera.org

Sample Resolution for a Local Government

RESOLUTION

WHEREAS, under the provisions of Title 24, Article 51, Part 3, Colorado Revised Statutes, as amended, any political subdivision within the State of Colorado or any public agency created by the State or any of its political subdivisions may make application to the Board to affiliate with the Colorado Public Employees' Retirement Association (PERA), and

WHEREAS, the _____ plans to appropriate funds for the employer's payments to the retirement fund as provided in said Article, and

WHEREAS, the employees of the _____ have expressed their desire to participate in said retirement fund as provided in said Article, NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF: _____

That the _____ apply for affiliation with the Colorado Public Employees' Retirement Association (PERA) as provided in Title 24, Article 51, Part 3, Colorado Revised Statutes, effective as of _____ 1, 20 _____, and that the proper officers of the city are hereby authorized to perform all acts necessary to obtain such affiliation and to comply with all requirements and rules of said Article and Association upon affiliation in the retirement fund.

That, as required by C.R.S. § 24-51-401, *et. seq.*, the contributions designated as member contributions shall be assumed and paid for by the city in lieu of paying such amounts as salary and shall be treated as employer contributions pursuant to the provisions of 26 U.S.C. § 414(h)(2), as amended.

That the employees of the _____ be notified by the executive officer that they must enroll (or exempt) themselves with said Association as provided in said Article, with membership to be effective the first day of the month of _____, 20 _____.

Signature: President, City Council

Signature: Mayor/ City Manager

I certify that the above is a true copy of a resolution adopted by the City Council of the _____ at its regular meeting held on _____, 20 _____.

Signature: Mayor/City Manager

Sample Resolution for an Agency or District

RESOLUTION

WHEREAS, under the provisions of Title 24, Article 51, Part 3, Colorado Revised Statutes, as amended, any political subdivision within the State of Colorado or any public agency created by the State or any of its political subdivisions may make application to the Board to affiliate with the Colorado Public Employees' Retirement Association (PERA), and

WHEREAS, the _____ plans to appropriate funds for the employer's payments to the retirement fund as provided in said Article, and

WHEREAS, the employees of the _____ have expressed their desire to participate in said retirement fund as provided in said Article, NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF: _____

That the _____ apply for affiliation with the Colorado Public Employees' Retirement Association (PERA) as provided in Title 24, Article 51, Part 3, Colorado Revised Statutes, effective _____ 1, 20 _____, and that the proper officers of the above-mentioned entity are authorized to perform all acts necessary to obtain such affiliation and to comply with all requirements and rules of said Article and Association upon affiliation, including the appropriation of sufficient funds for the entity's participation in the fund, as provided in said Article, and

That, as required by C.R.S. § 24-51-401, *et. seq.*, the contributions designated as member contributions shall be assumed and paid for by the above-mentioned entity in lieu of paying such amounts as salary and shall be treated as employer contributions pursuant to the provisions of 26 U.S.C. § 414(h)(2), as amended.

That the employees of the _____ be notified by the executive officer that they must enroll themselves with said Association as provided in said Article, with membership to be effective _____ 1, 20 _____.

Signature: President, Board of Directors

Signature: Administrator

I certify that the above is a true copy of a resolution adopted by the Board of Directors of the _____ at its regular meeting held on _____, 20 _____.

Signature: Administrator

This booklet provides information about affiliating with Colorado PERA and a general presentation of the Colorado PERA program. Coverage is governed by Colorado statutes and the Rules of the Colorado Public Employees' Retirement Association. Details of the program can be found in these booklets: *Colorado PERA Law*, *Colorado PERA Rules*, and *Your PERA Benefits*. Colorado 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.

Colorado Public Employees' Retirement Association

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