

New Look for Colorado PERA

As you can see, this issue of *Topics* has a new look and feel. In November, PERA's Board of Trustees approved a new strategic plan for public relations. The Public Relations Strategic Plan is a comprehensive outline of how Colorado PERA will relate to each of its many constituent groups, from members, retirees, employers, elected officials, the media, and the public.

A little about the story of Colorado PERA's new image...

In the new logo, PERA is represented by a stylized letter "P." Three people represent the upward stroke of the letter. The first person on the left breaks into the picture from the outside and appears to grow up from the ground. PERA itself is grounded in a 70-year history that predates Social Security. PERA is grounded in Colorado—as secure as state government itself. But most of all, PERA is grounded in its people.

One person in the PERA logo represents the Board and staff—the people who work so hard to provide for the futures of participants in the plan. Another figure represents the members and retirees. The third figure represents you, the employers and the many entities in Colorado you represent. The three figures appear in ascending order alluding to both the passage of time and the varied physical terrain of Colorado.

The three figures are joined together by their common interest, which encircles them. The participants contribute their talent and dedication to public service throughout Colorado and anticipate the security and rewards that PERA funds provide upon retirement. These elements are placed on an oval that serves to accentuate the momentum, continuity, and synergy that is the essence of PERA.

Look closely again at the logo. It can also be interpreted as a classic architectural column. The columnar aspects of the logo represent stability, a strong relationship with state government, and PERA's contribution to the Colorado economy.

Most importantly, Colorado PERA is about people. At our core, we are all about people—people in Colorado—people for whom public service is a way of life, both before and after retirement. This graphic identity of Colorado PERA represents PERA's core values and embodies the strength of the company.

Contribution Rates for 2002

Here are the current rates and the new rates for 2002:

	<u>July 1, 2001</u>	<u>July 1, 2002</u>
State and School	9.9%	10.04%
State Troopers	12.6%	12.74%
Judicial	11.82%	11.82%
	<u>January 1, 2001</u>	<u>January 1, 2002</u>
Municipal	9.43%	9.19%

State Auditor's Report Recommends No Change in PERA's Plan

In a study released this month by the Office of the State Auditor, consultants recommended no significant change in the design of the pension plan administered by Colorado PERA. The study was the result of legislation passed during the 2001 session that called for the State Auditor to conduct a comprehensive study of defined benefit and defined contribution retirement plan designs for Colorado PERA members.

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The study was completed by Buck Consultants and presented to the Legislative Audit Committee. The report emphasized the following:

- State and school district contributions to PERA are lower than costs for other public and private pensions in the region.
- Colorado PERA has good benefits, with only New Mexico offering a higher benefit formula.
- Colorado PERA has become more portable over time as the result of the Legislature working with the Colorado PERA Board. Buck reported, “the portability of employee and employer contributions is a substantial strength of PERA.”
- Colorado PERA’s plan compares favorably to plans in the private sector.
- The state’s decision not to participate in Social Security has enabled Colorado to provide good benefits at a low cost. However, if a defined contribution plan structure were adopted in lieu of PERA, employees would lose “safety net” features found in both PERA and Social Security.
- The report identifies “no significant weaknesses” in the current Colorado PERA structure.
- The report states that any significant change in Colorado PERA’s benefit design would not improve recruitment and retention.

“We are pleased that the consultant’s report on PERA’s pension plan found that PERA delivers top-ranked benefits in a cost-efficient fashion. The value of Colorado PERA compares favorably to plans in both the public and private sectors, something the taxpayers in Colorado can be proud of,” said Meredith Williams, Colorado PERA’s Executive Director. PERA plans to review the report and the consultant’s comments in more depth over the next several months.

The entire report by Buck Consultants may be viewed on the PERA Web site at www.copera.org under Latest News.

EGTRRA Q and A

Below are some of the most frequently asked questions PERA has received about EGTRRA. Most provisions begin January 1, 2002. If the date is different than that, it will be noted.

Q. What are the new limits for the 401(k) Plan?

- A. In 2002, employees can now contribute the lesser of \$11,000 or 100 percent of compensation (gross salary, less the PERA member contribution). This dollar limit increases by \$1,000 annually to \$15,000 by 2006. Total contributions, employee and employer, cannot exceed \$40,000 in 2002.

Q. Can employees contribute the maximum of \$11,000 to their 401(k) account, and still contribute to a 457 plan?

- A. Yes. The law changed the rules about coordinating contributions between 401(k) and governmental 457

plans. Employees are now able to contribute the maximum to each plan. Contributions to 401(k) and 403(b) plans however, will still need to be coordinated.

Q. How do catch-up provisions for the 401(k) Plan work?

- A. Employees age 50 or older, or turning 50 in 2002, can contribute an additional \$1,000 to PERA’s 401(k) Plan. Employees must be contributing the maximum amount in order to use this option. However, if employees are already participating in the three-years-before-retirement 457 plan catch-up, they cannot use this option.

Q. What paperwork needs to be completed to roll a governmental 457 or tax-sheltered annuity 403(b) into PERA’s 401(k) account?

- A. Before employees can rollover a 457 or 403(b) account into PERA’s 401(k) account, there needs to be a distributable event. A distributable event is defined as termination from employment or retirement. If employees meet one of those criteria and their 457 or 403(b) plan allows the distribution, they’ll need to complete a *401(k) Plan Rollover Form*.

Q. If employees transfer their 457 accounts to purchase service credit or rollover a 457 account into PERA’s 401(k) Plan, does a 10 percent penalty for early withdrawal apply?

- A. No. Once a 457 account is transferred to PERA or rolled into PERA’s 401(k) Plan, it takes on the characteristics of the 401(k) Plan and the 10 percent early withdrawal penalty would not apply.

Q. Who initiates the paperwork to do a trust-to-trust transfer from a governmental 457, 403(b), or IRA to purchase service credit?

- A. Employees should notify PERA that they want to use tax-deferred money from one of these plans. PERA will include with the purchase agreement a *Service Credit Purchase Rollover* form. Employees and plan administrators will need to complete the form.

Q. Which IRAs can roll into PERA to purchase service credit?

- A. Traditional, conduit, and Simplified Employee Pension (SEP) containing only tax-deferred contributions. The plans not acceptable are SIMPLE IRA, Roth IRA, and SIMPLE 401(k).

Q. How will PERA coordinate multiple rollovers going into one purchase agreement?

- A. Rollovers from more than one plan need a *Service Credit Purchase Rollover* form completed for each plan. When employees request the *Service Credit Purchase Agreement*, they should advise PERA what types of plans the money will be coming from and the approximate amount from each plan so the purchase agreement can be calculated appropriately.

Q. What steps should employees take to purchase PERA service credit?

1. Contact the plan administrator to ensure that they will allow the transfer of funds from their account to PERA for the purchase of service credit.
2. Employees should verify the amount of time they want to purchase. Verification of time available to purchase must meet certain statutory requirements and sometimes it can be time consuming. It's recommended that employees verify the time well before they plan to purchase. Refer to the *Purchasing Service Credit* brochure for details.
3. Complete the *Purchasing Service Credit Application* and submit it to PERA for processing.

Q. Will employees have to pay taxes on the money they use to purchase service credit?

- A. Not directly. They will pay taxes on their monthly retirement benefit, which will include the purchased service. However, they will need to report the transfer/rollover on their tax return.

MatchMaker Rates Determined

For 2002, the maximum match amounts are as follows:

- 3 percent of pay for State and School Division and Municipal Division
- 7 percent for Judges

Over 81,000 PERA members are benefiting from MatchMaker dollars added to their defined contribution accounts. Nearly 64,000 participate in the PERA 401(k) program.

However, over 77,000 PERA members are leaving MatchMaker dollars (free money) on the table. Please let your employees know about MatchMaker and why it's a good thing to participate in the plan! Complexity and confusion about 401(k) plans can't be an excuse any more with the addition of Fidelity Freedom Funds to PERA's 401(k) fund. See the article to the right for more information.

More on MatchMaker...

Employers are reminded that participation in MatchMaker is not optional. Under state law, (Section 24-51-408.5) employers are required to pay the matching contribution to eligible plans. Remember that the match provision applies to temporary and part-time employees as well. If employers do not calculate the match correctly, PERA will send them the MatchMaker Edit Report that details discrepancies. These variances need to be corrected on a monthly basis so that employees are credited with the appropriate match. For each

payroll period, the MatchMaker amount must be the lesser of: (1) the PERA includable salary multiplied by 3% (7% Judicial Division), or (2) the actual amount contributed by the member to a DC plan. The employer matching contribution is subtracted from the employer's regular contribution to PERA. If you have questions, you are encouraged to contact your employer representative at PERA.

PERA's 401(k) Plan Adds Six New Funds

PERA is pleased to announce the addition of six new funds to the 401(k) Plan beginning in January. The six funds are designed to take the guesswork out of investing by providing asset allocation with a single investment decision. The only decision employees have to make is choosing the decade in which they plan to retire or begin withdrawing from their account. The Fidelity Freedom Funds are lifestyle funds designed to provide an investment strategy that closely matches anticipated retirement dates—gradually shifting from aggressive to conservative as a target retirement date approaches.

Fidelity Freedom Income Fund

For those investors who are already retired
Portfolio mix: 20% Equity
40% Fixed-income
40% Money Market

Fidelity Freedom 2000 Fund

For those investors within 10 years of retirement
Portfolio mix: 27% Equity
42% Fixed-income
31% Money Market

Fidelity Freedom 2010 Fund

For those investors within 10–20 years from retirement
Portfolio mix: 47 % Equity
44% Fixed-income
9% Money Market

Fidelity Freedom 2020 Fund

For those investors within 20-30 years from retirement
Portfolio mix: 71% Equity
29% Fixed-income

Fidelity Freedom 2030 Fund

For those investors within 30-40 years from retirement
Portfolio mix: 83% Equity
17% Fixed-income

Fidelity Freedom 2040 Fund

For those investors 40 or more years from retirement
Portfolio mix: 90% Equity
10% High Yield Fixed Income

* The percentages provided are targets as of September 30, 2001

Topics E-mail Distribution List

If you would like to receive the next issue of Topics via e-mail rather than having a copy mailed to you, please e-mail Katie Kaufmanis at kkaufmanis@copera.org (if you haven't already) with your e-mail address and the address to which we were mailing.

PERACare Reaches More Employers

The PERACare Health Benefits program extended to affiliated employers in 2001 is adding more employers to its growing list. Interest in PERACare is gaining momentum as employers struggle to control the rising cost of health care.

In January 2002, seven PERA employers (added to the 14 already participating) will offer PERACare medical, dental, and vision plans to their employees. The new employers who will be added in January include West End Schools (Nucla/Naturita), Rampart Library District (Woodland Park), Red Feather Mountain Library System (Red Feather Lakes), Southwest Regional Library Service System (Durango), Colorado Water Resources & Power Development Authority (Denver), Rangely Regional Library District (Rangely), and Green Mountain Water & Sanitation District (Lakewood). New enrollments bring the number of employees covered to about 1,000.

Regional premiums for July enrollments by employers with less than 250 eligible employees will be mailed to employers in late January 2002. Selection of the program may occur at any time. Employers with more than 250 benefit-eligible employees can request a premium quote at any time. For details about the coverage, to request a premium quote, or to set a meeting time for a PERA representative to talk to your organization's decision makers, contact Dennis Gatlin at 303-832-9550, ext. 6188.

Visit the Colorado PERA Web site, it includes past issues of *Topics in the Employer Section.*

www.copera.org

Tax Credit May Help Some Members

Employees who contribute to the PERA 401(k) Plan may be eligible for a nonrefundable tax credit under the 2001 tax relief bill (EGTRRA). The tax credit is based on adjusted gross income as follows:

<u>Joint Return</u>	<u>Head of Household</u>	<u>Others</u>	<u>Credit Percentage</u>
\$30,000 or less	\$22,500	\$15,000 or less	50%
\$31,001 - \$32,500	\$22,501 - \$24,375	\$15,001 - \$16,250	20%
\$32,501 - \$50,000	\$24,376 - \$37,500	\$16,251 - \$25,000	10%