



COLORADO PERA AFFILIATION GUIDE

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WHAT IS COLORADO PERA?

Colorado Public Employees' Retirement Association (PERA) was established by state law in 1931 and continues to provide retirement and other benefits to more than 660,000 current and former school teachers, employees of the State of Colorado, State Troopers, judges, corrections officers, and countless other public employees who provide valuable service to all of Colorado. Serving our members—both past and present—is at the core of what we do as we focus on ensuring retirement security for so many Coloradans who depend on PERA for their financial future.

For most members, PERA is a substitute for Social Security. PERA Defined Benefit (DB) Plan benefits are pre-funded, which means while a member is working, they are 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 PERA under the direction of the Board of Trustees. PERA's investment strategy uses actuarially established investment objectives with long-term goals and policies.

GUIDING PRINCIPLES

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

PERA is governed by a 16-member Board of Trustees; 12 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 serves as an ex officio Trustee. The State Treasurer serves as an ex officio Trustee. The Denver Public Schools (DPS) Trustee seat is an ex officio, non-voting position. 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 PERA membership.

PERA staff members are responsible for the day-to-day operations of PERA including managing the investment process, administering the payment of benefits, and providing other support services.

PERA's Mission Statement:

To provide retirement security for our members while ensuring the sustainability of the fund.

PERA's Vision Statement:

To innovate and build on a tradition of service by being a trusted partner in order to meet the changing needs of our diverse membership.

FREQUENTLY ASKED QUESTIONS

Affiliating With PERA

WHO MAY AFFILIATE WITH 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 PERA. Title 24, Article 51, Section 309, of the Colorado Revised Statutes (C.R.S.) refers to the affiliation by public entities. Employers who would belong to PERA's Local Government Division may voluntarily join PERA. Some public employers are required by statute to belong to PERA, such as public schools, charter schools, and state agencies.

PERA Rules, as approved by the Board of Trustees, further explain affiliation procedures. Local government entities and special districts that affiliate with 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 PERA.

The following are examples of public entities that may affiliate with 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)

PERA provides complete transition services for new affiliates including:

- » *Conducting new member orientation sessions.*
- » *Assisting with initial contribution reporting.*
- » *Merging existing retirement plans into the voluntary PERAPlus 401(k) Plan.*

HOW MANY EMPLOYEES ARE NEEDED FOR AN EMPLOYER TO AFFILIATE?

There is no minimum number of employees required for an entity to affiliate with PERA, which covers public employers with as many as 16,000 employees and as few as one part-time employee.

WHEN MAY AN ENTITY AFFILIATE WITH PERA?

An entity may affiliate with 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 PERA?

The governing board of the county, municipality, special district, or other public entity must pass a resolution to affiliate with PERA (similar to the examples on page 9 of this *Guide*) at a regularly scheduled public meeting.

The following three signatures are required on a resolution to certify that the resolution is a true copy:

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).

WHICH EMPLOYEES MUST JOIN 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 PERA.

Eligible new hires have the option to participate in either the PERA DB Plan or the PERA Defined Contribution (DC) Plan.

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 PERA coverage or elect to be exempt from 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 PERA coverage, coverage is then required. 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 PERA.

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

- » Election judges who earn less than the mandatory Social Security and Medicare withholding threshold.
- » Police officers and firefighters of a municipality or district already covered by an existing retirement plan, including the Fire and Police Pension Association (FPPA) of Colorado.
- » Directors of special districts pursuant to the “Special District Act” who began their service as directors on or after July 1, 2022.

WHAT IS THE PERA DC PLAN?

Similar to a 401(k) plan, the PERA DC Plan allows certain members to direct their investments to an array of fund options. It is available for new employees in the Local Government Division who haven’t participated in the DB Plan in the previous 12-month period. Retirement benefits are based solely on the money the member has contributed, and the investment earnings or losses incurred, minus expenses. In PERA’s DC Plan, the member and employer contributions are invested according to the member’s investment elections. Employers also pay a defined contribution supplement amount to PERA which will not be credited to the member’s account. Instead, that supplement will be used to offset the amount that would have gone to PERA to pay down the unfunded liability in the DB Plan if the member had chosen the DB Plan.

> See the *PERAChoice* booklet for detailed information on the PERA DC Plan.

CAN A MEMBER DROP PERA?

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

CAN AN AFFILIATED EMPLOYER WITHDRAW FROM PERA?

Local Government affiliates may disaffiliate. Disaffiliation provisions are found in C.R.S. § 24-51-313 through 319.

CAN POLICE OFFICERS AND FIREFIGHTERS BE MEMBERS OF PERA?

Police officers and firefighters are not eligible for PERA coverage if they are covered by an existing retirement system pursuant to Colorado law. Police officers and firefighters may be covered under PERA if the local government unit or special district has no 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 PERA, coverage for these individuals is required. Civilian employees of police and fire departments/districts affiliated with PERA must be covered.

> **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. PERA operates as a qualified retirement plan under IRC Section 401(a).

PERACare Health Benefits Program Available to Affiliated Employers

The PERACare Health Benefits Program includes health care, dental, and vision plans, and is available to PERA-affiliated employers for their employees who are PERA members.

The PERACare program handles negotiations and contracting with carriers, COBRA administration, and open enrollment activities, and features easy monthly electronic billing of employers.



WHAT HAPPENS TO A MEMBER'S ACCOUNT WHEN THEY TERMINATE PERA-COVERED EMPLOYMENT?

A PERA member who terminates employment before retirement may leave their account with PERA, roll it over to another qualified plan, or refund it.

PERA DB Plan

A DB Plan member may begin drawing a lifetime monthly benefit when they are eligible for retirement or at age 65. A DB Plan member who leaves an account with PERA and requests a rollover or refund when they are eligible for retirement, or at age 65, would receive contributions, any payments made to purchase service credit (purchase service credit amounts are not matched), interest earned, and a matching amount equal to 100% of contributions and interest.

If a DB Plan member rolls over or refunds before they are eligible for retirement or at age 65, the member would receive contributions, any payments made to purchase service credit (purchase service credit amounts are not matched), interest earned, and a matching amount equal to 50% of contributions and interest if the member has five years of earned service credit. If the DB Plan member does not have five years of earned service credit, there are specific criteria to meet in order to be eligible for the 50% match.

PERA DC Plan

A DC Plan member has the following options when terminating employment before retirement:

- » Leave the money in the Plan.
- » Request installment payments.
- » Roll over the balance to another qualified plan, 403(b), governmental 457 plan, or an IRA.
- » Take the money in cash, called a lump-sum distribution.
- » Request a lifetime annuity through an outside provider.

The member must start distributions from their account in accordance with federal law regarding requirement minimum distributions (RMDs). If the member takes a lump-sum distribution or rolls the balance of their account to another qualified plan, they will receive 100% of the member contributions and a percentage of the employer contributions based on the PERA DC Plan vesting schedule, plus/minus investment gains/losses and minus fees.

> See the *PERAChoice* booklet for detailed information.

The Cost of PERA Coverage

WHAT IS THE EMPLOYER CONTRIBUTION RATE FOR PERA?

As a Local Government Division employer, you contribute a percentage of total payroll to PERA (employees also contribute a percentage of their salary to PERA). In addition to funding a future retirement benefit, employer contributions and earnings also fund survivor and disability benefits for active members. The employer contribution is made up of several parts beyond the base rate.

The Amortization Equalization Disbursement (AED) and Supplemental Amortization Equalization Disbursement (SAED) are additional contributions to be remitted by employers. Under statute, the SAED, to the extent permitted by law, is funded by moneys otherwise available for employee wage increases.

Under state law, the automatic adjustment provision allows member and employer contributions to adjust as needed to ensure that PERA is able to pay off its unfunded liability. Both member and employer contribution rates can each increase (or decrease) by up to 0.5% per year, and cannot exceed certain limits set in law. The changes are based on PERA's funded status and are determined each June, a year before changes are implemented. Additionally, Local Government Division employers will be responsible for making supplemental contributions for employees who choose the PERA DC Plan.

> Visit the “**Employers**” page at copera.org for details on employer contribution rates. View the *Contribution Rates* fact sheet for more information.

WHAT ELSE DOES THE AUTOMATIC ADJUSTMENT PROVISION COVER?

The automatic adjustment provision responds to economic or demographic events that could cause a deviation in the path toward full funding, which helps ensure long-term fund stability. The automatic adjustment has four components: member contributions, employer contributions, State direct distribution, and the annual increase (AI). If PERA is behind its funding goal, member and employer contribution rates will increase and the AI percentage will be reduced. The allocation from the State budget could increase but will not exceed \$225 million.

This provision also allows for decreases in member and employer contribution rates, a decrease in the direct distribution, and increases in the AI when the fund has a positive experience and is ahead of schedule on reaching full funding.

Specific to the AI:

- » If PERA is ahead of schedule on reaching the full funding goal, the AI percentage paid to eligible benefit recipients can be increased by up to 0.25% in one year, not to exceed a cap of 2.0%.
- » If PERA is behind schedule on reaching the full funding goal, the AI percentage paid to eligible benefit recipients can be decreased by up to 0.25% in one year, not to be reduced below a floor of 0.5%.

WHAT ARE GASB STATEMENTS 68 AND 75 AND WHAT IS THE IMPACT ON PERA-AFFILIATED EMPLOYERS?

The Governmental Accounting Standards Board (GASB) is responsible for developing standards of accounting and financial reporting for state and local governments. GASB issued two statements which outlined major changes to governmental financial reporting of the costs and obligations associated with pensions and other postemployment benefits (OPEB).

One major aspect of GASB Statement No. 68 and GASB Statement No. 75, is that employers recognize a liability for their portion of net pension liability and net OPEB liability, respectively.

- » The net pension liability is the difference between the total pension liability and the pension plan's fiduciary net position.
- » The net OPEB liability is the difference between the total OPEB liability and the OPEB plan's fiduciary net position.

For purposes of GASB Statements No. 68 and No. 75, these liabilities are typically recognized on the employer's financial statements that are prepared using the economic resources measurement focus and accrual basis of accounting.

Employers considering affiliation with PERA should consult with their accountant and auditor to ensure full understanding of the impacts of these GASB Statements. More information is also available on the "**GASB Reporting Standards**" page of PERA's website at copera.org.

PERA and Social Security

WHAT IS THE COST FOR SOCIAL SECURITY COVERAGE?

The current cost for the employee portion of the FICA tax rate for Social Security coverage is 6.2% of earnings. The employer's portion of the FICA tax rate is 6.2%.

Federal law requires that all public employees hired after March 31, 1986, and their employers, pay the Medicare tax of 1.45% 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 State Social Security Administrator 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 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 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 State Social Security Administrator at **303-318-8060** for more information.

CAN AN EMPLOYER BE COVERED BY SOCIAL SECURITY AND PERA?

Yes, a few PERA-affiliated employers provide both types of coverage.

CAN A PERSON RECEIVE BOTH 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 like PERA. If a PERA employer is required to continue paying the FICA tax, employees would receive full Social Security benefits and the PERA benefit at retirement.

> For information on the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) benefit reductions, review the *PERA and Social Security* fact sheet, visit the Social Security Administration website at ssa.gov, or call Social Security at **800-772-1213**.

COMPARING PERA AND SOCIAL SECURITY

PERA DB Plan 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.

> See the *PERA and Social Security* fact sheet for more information.

PERA DB PLAN BENEFITS

Generally, PERA DB Plan retirement benefits are based on age, years of service credit, and Highest Average Salary (HAS) or a money purchase calculation.

HAS is an average monthly salary figure, calculated by averaging several years of highest salaries. Each year used in the calculation is a period of 12-consecutive months of service credit during which PERA contributions were paid. The number of years used in the calculation changes depending on an employee's membership date. If the member had five years of service credit as of January 1, 2020, three years of highest salaries will be used. If the member did not have five years of service credit as of January 1, 2020, or if they began PERA membership on or after that date, five years of highest salaries will be used.

Because the highest salaries are frequently the last 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% of HAS for service retirement. A reduced service retirement benefit may be paid to members who retire prior to reaching service retirement eligibility. The maximum benefit is 100% of HAS.

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 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 PERA Board of Trustees and is subject to change annually. The current interest rate is 3% compounded annually.

> See the *Your PERA Benefits* booklet or visit copera.org for a complete description of all PERA benefits and how they differ depending on when an employee becomes a PERA member.

ANNUAL BENEFIT INCREASES

After retirement, eligible PERA DB Plan retirees receive annual increases (AIs) to monthly benefits. AIs are paid in July.

> See the *Annual Increases for Benefit Recipients* fact sheet for more information.



NEW PERA AFFILIATES

Local governments represent 148 of PERA-affiliated employers. Since 2005, 31 local governments have affiliated with PERA.

As a PERA employer, your DB Plan employees will have access to the following benefits:

- » Lifetime retirement benefits.
- » Good portability provisions.
- » Tax-deferred interest (currently 3%) on member contributions.
- » A two-tier disability benefit program for members with five years of earned service credit, which consists of short-term disability insurance and a disability retirement benefit.
- » The opportunity to increase PERA service credit by purchasing additional years of service with PERA.
- » Optional health care, dental, and vision coverage through the PERACare Health Benefits Program for employees of PERA employers that offer the plan.
- » Opportunity to switch to the PERA DC Plan during a time specified by law (if applicable).
- » Optional, subsidized retiree health care coverage through the PERACare Health Benefits Program for benefit recipients and their qualified dependents.
- » Voluntary life insurance.
- » A voluntary PERAPlus 401(k) investment program. Employers can also choose to affiliate with the PERAPlus 457 Plan. A Roth option is also available for adoption in both Plans.
- » For members also covered by Social Security, no reductions to Social Security benefits.

As a PERA employer, your employees in the PERA DC Plan will have access to the following benefits:

- » Management of their own investments.
- » Investment advice.
- » Low and transparent fees.
- » Opportunity to switch to the PERA DB Plan during a time specified by law.
- » A voluntary PERAPlus 401(k) investment program. Employers can also choose to affiliate with the PERAPlus 457 Plan. A Roth option is also available for adoption in both Plans.
- » Voluntary life insurance.
- » Access to the PERACare health benefits program if the participant purchases a lifetime annuity upon termination of PERA-covered employment.
- » For members also covered by Social Security, no reductions to Social Security benefits.

> See the *Your PERA Benefits* and *PERAChoice* booklets for more information.

PERA Affiliation Contact Information:

Kirsten Lopkoff, Director of Member Education

Phone: 303-837-6236

Email: klopkoff@copera.org

SAMPLE RESOLUTIONS FOR AFFILIATION

Sample Resolution for a Local Government

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, and

WHEREAS, the _____ acknowledges that the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, applies to Colorado PERA-affiliated employers and is effective for fiscal years beginning after June 15, 2014. _____ further acknowledges that it understands that Statement No. 68 will require it to report its proportionate share of net pension liability on its financial statements.

WHEREAS, the _____ acknowledges that the GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, applies to Colorado PERA-affiliated employers and is effective for fiscal years beginning after June 15, 2017. _____ further acknowledges that it understands that Statement No. 75 will require it to report its proportionate share of net other postemployment benefits (OPEB) liability on its financial statements.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF: _____

That the _____ apply for affiliation with 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 RESOLUTIONS FOR AFFILIATION (CONTINUED)

Sample Resolution for an Agency or District

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, and

WHEREAS, the _____ acknowledges that the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, applies to Colorado PERA-affiliated employers and is effective for fiscal years beginning after June 15, 2014. _____ further acknowledges that it understands that Statement No. 68 will require it to report its proportionate share of net pension liability on its financial statements.

WHEREAS, the _____ acknowledges that the GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits* other than Pensions, applies to Colorado PERA-affiliated employers and is effective for fiscal years beginning after June 15, 2017. _____ further acknowledges that it understands that Statement No. 75 will require it to report its proportionate share of net other postemployment benefits (OPEB) liability on its financial statements.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF: _____

That the _____ apply for affiliation with PERA as provided in Title 24, Article 51, Part 3, Colorado Revised Statutes, effective _____ 1, 20____, and that the proper officers of the aforementioned 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 aforementioned 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

CONTACT PERA



Visit PERA's website at
copera.org



Call PERA's Customer Service
Center at 800-759-7372



Send mail to PERA at
PO Box 5800
Denver, CO 80217-5800



Download forms and publications
from PERA's website (copies can
also be requested by calling PERA's
Customer Service Center)



Connect with PERA on
social media:

- » Facebook
- » Instagram
- » LinkedIn
- » Twitter
- » YouTube

This guide provides information about affiliating with PERA and a general overview of the 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*. 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 guide.