



Defined Benefit Plan

As the premier Defined Benefit plan available to public employees in the State of Colorado, PERA has served Colorado public employees since 1931. An Internal Revenue Code Section 401(a) hybrid defined benefit plan, PERA operates as a “qualified retirement plan” and for most members serves as a substitute for Social Security. (PERA began before Social Security was created. In 1951, public employers could join Social Security; the Colorado Legislature decided to continue the PERA program instead of joining Social Security.)

Currently, more than 186,000 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. In addition, PERA pays benefits to more than 78,000 retirees and other recipients, 87 percent of whom live in Colorado.

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

- Lifetime retirement benefits, which can continue to a cobeneficiary after your death
- Good portability provisions
- Tax-deferred interest (currently 5 percent) on member contributions
- Comprehensive survivor and disability benefits
- Annual cost-of-living increases in retirement benefits
- Access to PERACare retiree health care
- Ability to invest in a voluntary 401(k) plan
- Access to voluntary life insurance and long term care insurance programs

PERA Benefits At A Glance...

The Advantages of Membership in PERA

- Your PERA contributions of 8 percent are tax deferred, which means reduced current state and federal income taxes.
- You earn a fixed interest rate on your member contributions (currently 5 percent compounded annually). The rate is set by the Board and is subject to change annually.
- You receive a matching amount equal to 50 percent of your contributions and interest if you withdraw your account before retirement eligibility or age 65, or, receive a 100 percent match if you withdraw your account after retirement eligibility or age 65.
- Your qualified survivors will be provided a monthly benefit, between 25 percent and 50 percent of your pay, if you die after earning one year of service. Your beneficiary will receive a lump-sum payment of your contributions, applicable interest, and a 100 percent match if no monthly benefits are payable.
- You receive a lifetime retirement benefit after meeting age and service requirements (minimum age 55).
- You receive benefits equal to 2.5 percent of your average highest three years of salary for each year of service up to 100 percent.



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PERA Defined Benefit Option

Even if you are a Colorado PERA member for only a short period of time during your career, your PERA membership is valuable to you. The following example illustrates how over a period of time, a PERA account will grow with compounded interest.

The example below uses Jim, a PERA member who earned five years of PERA service credit before terminating employment at age 30. Jim's annual salary was \$30,000, with 3.5 percent raises per year. (Note: The refund and benefit amounts assume a 5 percent interest rate per year. The interest rate is set by the PERA Board and is subject to change annually.)

Account Balance Each Year with 5 Percent Compounded Interest	
Age	Account Balance
30	\$14,552
35	\$18,572
40	\$23,703
45	\$30,252
50	\$38,610
55	\$49,278
60	\$62,892

When Jim terminated employment, he had an account balance of \$14,552 (member contributions and interest accumulated at 5 percent compounded annually for five years).

Jim has the option to withdraw his account as a lump sum when he terminates PERA-covered employment or leave it until he reaches retirement age. The amount of Jim's refund, should he choose to withdraw his account prior to retirement eligibility, would be his account balance of \$14,552 plus a 50 percent match, for a total refund of \$21,828.

Jim also has the option of leaving his account with PERA, where it will continue accruing interest. At age 60, because he would be eligible for a retirement benefit, he would be eligible for a 100 percent match on his account balance and he could choose to withdraw the account or receive a *lifetime* monthly benefit.

At age 60, Jim's account will have grown from \$14,552 to \$62,892 as a result of compounding over a 30-year period. With a 100 percent match, his refund amount as a lump-sum distribution would be \$125,784.

At age 60, if Jim were to choose to receive an Option 1 lifetime monthly benefit, which is calculated by projecting his account balance over his expected life span, his benefit amount would be \$745 per month.

Please note: Lump-sum distributions from the Plan will be subject to 20 percent federal tax withholding and, if you are less than age 59½, a 10 percent early withdrawal penalty will apply. Ordinary income taxes may apply. State and local taxes and withholding may also apply. Further, most PERA members do not contribute to Social Security, so if an account is refunded, retirement savings for that period of employment are gone.

PERA Defined Benefit Table

Find the percentage in the block where age intersects with years of service. Multiply your Highest Average Salary (HAS) by that percentage. HAS is one-twelfth of the average of the highest annual salaries on which PERA contributions were paid that are associated with three periods of 12 consecutive months of service credit. Credit is earned for each month.

Highest Average Salary Percentages for Retirement Benefit Option 1

Effective January 1, 2007

Use this table if you began PERA membership on or after January 1, 2007.

Years of Service	Age at Retirement															
	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65+
5	No retirement benefits payable.										10.0	10.5	11.0	11.5	12.0	12.5
6											12.0	12.6	13.2	13.8	14.4	15.0
7											14.0	14.7	15.4	16.1	16.8	17.5
8											16.0	16.8	17.6	18.4	19.2	20.0
9											18.0	18.9	19.8	20.7	21.6	22.5
10											20.0	21.0	22.0	23.0	24.0	25.0
11											22.0	23.1	24.2	25.3	26.4	27.5
12											24.0	25.2	26.4	27.6	28.8	30.0
13											26.0	27.3	28.6	29.9	31.2	32.5
14											28.0	29.4	30.8	32.2	33.6	35.0
15	30.0	31.5	33.0	34.5	36.0	37.5										
16	32.8	33.6	35.2	36.8	38.4	40.0										
17	35.7	36.6	37.4	39.1	40.8	42.5										
18	38.7	39.6	40.5	41.4	43.2	45.0										
19	41.8	42.8	43.7	44.7	45.6	47.5										
20	42.5	43.0	43.5	44.0	44.5	45.0	46.0	47.0	48.0	49.0	50.0					
21	45.4	46.2	46.7	47.3	47.8	48.3	49.4	50.4	51.5	52.5	52.5					
22	48.4	49.2	50.1	50.6	51.2	51.7	52.8	53.9	55.0	55.0	55.0					
23	51.5	52.3	53.2	54.1	54.6	55.2	56.4	57.5	57.5	57.5	57.5					
24	54.6	55.5	56.4	57.3	58.2	58.8	60.0	60.0	60.0	60.0	60.0					
25	43.8	46.6	49.4	52.2	55.0	57.8	58.8	59.7	60.6	61.6	62.5	62.5	62.5	62.5	62.5	
26	45.5	49.4	52.3	55.3	58.2	61.1	62.1	63.1	64.0	65.0	65.0	65.0	65.0	65.0	65.0	
27	47.3	51.3	55.4	58.4	61.4	64.5	65.5	66.5	67.5	67.5	67.5	67.5	67.5	67.5	67.5	
28	49.0	53.2	57.4	61.6	64.8	67.9	69.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	
29	50.8	55.1	59.5	63.8	68.2	71.4	72.5	72.5	72.5	72.5	72.5	72.5	72.5	72.5	72.5	
30	52.5	57.0	61.5	66.0	70.5	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	
31	58.9	58.9	63.6	68.2	72.9	77.5	77.5	77.5	77.5	77.5	77.5	77.5	77.5	77.5	77.5	
32	65.6	65.6	65.6	70.4	75.2	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	
33	72.6	72.6	72.6	72.6	77.6	82.5	82.5	82.5	82.5	82.5	82.5	82.5	82.5	82.5	82.5	
34	79.9	79.9	79.9	79.9	79.9	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	
35	87.5	87.5	87.5	87.5	87.5	87.5	87.5	87.5	87.5	87.5	87.5	87.5	87.5	87.5	87.5	

The shaded areas indicate reduced service retirement percentages. For 35+ years, add 2.5 percent to 87.5 for each year over 35 up to 100 percent. Final calculations are made to the exact amount of service you earn, not necessarily even years.

A different Highest Average Salary Percentages table applies to State Troopers and Colorado Bureau of Investigation Agents. Please refer to the special inserts to the *Your PERA Benefits* booklet available on the PERA Web site at www.copera.org.



Compare Your Options

As a new State employee, you have the ability to select from a variety of retirement plans. In order for you to understand your options, we've developed some brief questions to help you make this important decision. Whether you are comfortable investing for your retirement or would like professionals to invest on your behalf, Colorado PERA has an option for you.

What is Colorado PERA?

Colorado PERA 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. PERA pre-dates the creation of Social Security, and as a State employee, you do not contribute to the federal retirement system, although workers hired after March 1986 contribute 1.45 percent of their pay to Medicare.

Colorado PERA serves over 400,000 public employees today. The PERA trust funds exceed \$41 billion and are invested in Colorado and companies around the world on behalf of the PERA membership. PERA is governed by a 15-member Board of Trustees, 11 of whom are elected by the membership. The Board works closely with your elected officials to ensure the soundness of the State's largest financial institution.

What Plans Does Colorado PERA Offer?

Colorado PERA has two types of plans—a defined benefit (DB) plan and a defined contribution (DC) plan available for eligible new State employees. The DB plan is the traditional retirement plan, where your contributions are invested by professionals for you. In the DC plan, you direct your investments to an array of fund options.

Defined Benefit Plan Features

- Lifetime retirement benefit
- Ancillary benefits such as disability and survivor coverage
- Plan invests for all beneficiaries, and individual contributors do not control the amount of their contributions nor their investments
- Also known as a traditional pension plan

Defined Contribution Plan Features

- The retirement benefit equals the amount accumulated in the account over time and the benefit ends when the account balance is depleted
- Employees contribute to a tax-deferred plan, making their own investment decisions
- Employees have their own unique accounts
- Plan type generally labeled according to the governing section of the Internal Revenue Code, such as 401(k), 403(b), 457, or a 401(a) plan



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Making the Decision—DB or DC

The PERA DB retirement 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 than a traditional defined benefit plan.

Unlike a defined benefit plan, a benefit from a defined contribution plan is based solely on the money you have contributed, the investment earnings or losses incurred, minus expenses. You have the flexibility to make investment decisions, which also means you assume the investment risks. The amount of your benefit can sometimes be difficult to determine given that the amount depends on the success of your investment decisions, when you begin withdrawals, and your life expectancy.

Over the years, PERA has worked with the State Legislature and others to address issues such as portability, cost-of-living adjustments, and overall improvement of the benefits PERA members receive. These changes have made the PERA DB plan more flexible and portable. PERA members and the State of Colorado benefit from a conservative yet innovative approach to public pension management.



Personal Investment Assessment

By answering the following questions, you'll be better able to determine what type of plan (DB or DC) is right for you.

Do you like to manage your own investments? Yes No

If you answered Yes, consider PERA DC.

If you answered No, consider PERA DB.

Do you have the time and knowledge to appropriately invest for your retirement security? Yes No

If you answered Yes, consider PERA DC.

If you answered No, consider PERA DB.

Do you have dependents that rely on you for financial support? Yes No

If you answered Yes, consider PERA DB since your contribution includes survivor benefits and disability coverage.

If you answered No, consider PERA DC.

Are you still unsure of what type of plan to choose—DB or DC? Yes No

If you answered Yes, consider Colorado PERA's Plans—after a year of contributing to either the PERA DB or PERA DC plans, you can change your mind and switch plans between years 2 and 5.

If you answered No, complete the *Retirement Choice Election Form* in this packet within 60 calendar days of your date of hire to start investing in your future. (After 60 days, you'll be automatically enrolled in the PERA DB plan.)