Retirement Choice Workbook

Revised June 2008

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Why Learn About Retirement Choice?

- You will be making a very important choice when you select a retirement plan.
- You will need to understand each plan and think about your individual circumstances before choosing the plan that is right for you.
- The purpose of this workbook is to give you enough information so that you are comfortable in making a choice. You may still want to do some research on your own before you actually decide.

Why Choose a Retirement Plan?

State employees do not contribute to Social Security. Please refer to Appendix B for additional information on Social Security and State Employment.

Who Has to Choose a Retirement Plan?

Before January 1, 2006 state employees were automatically enrolled in the Colorado Public Employees' Retirement Association (PERA) Defined Benefit Plan. The Governor and Legislature adopted changes to the law so that eligible new State employees could choose from a variety of plans. However, they also included a provision stating that those who had been enrolled in a State of Colorado retirement plan within the last twelve months would automatically be reenrolled in the same plan if they return to work in less than twelve months after termination.

Employees Who Leave State Employment and Return

If you leave State employment and then return within twelve months, you will be bound by your previous choice. If you leave State employment and then return after a period of longer than twelve months, are not a PERA retiree or did not work for another PERA-affiliated employer during the time you were away from State employment, you will have to make a new retirement choice.

When Does the Choice Have to be Made?

You have 60 calendar days from your hire date to make a choice. You and your employer will still be contributing monthly amounts to your retirement during this time. However, until you make your selection, the money will be held by PERA in a non-interest-bearing account. If you do not make a choice, you will automatically be enrolled in the PERA DB Plan.

When is your deadline?

What is your hire date? _________ When are your forms due?__________

60 calendar days from date of hire, date of hire is day one.

What Are the Plan Choices?

Plan Types

There are two types of plans: defined contribution ("DC") and defined benefit ("DB"). **Defined contribution plans are offered by four providers; Great West, The Hartford, ICMA-RC and PERA. The defined benefit plan is offered by one** provider, PERA.

Defined Contribution Plans

Employees and their employers contribute a set amount of money to the plan every month. These contributions are deposited directly into an investment account for the individual employee. The employee then manages the money in the account by choosing how much to invest in a variety of funds offered by the provider. Gains and losses vary by fund and the employee is free to move the money between funds on a daily basis, excluding holidays, with some transfer limitations. When you retire, you choose how much money to withdraw and when. Survivor benefits are provided by choosing a beneficiary who will receive your account balance upon your death. The balance of the account is paid to the beneficiary upon the account holder's death.

There are two different DC plans from which to select: the State DC Plan and the PERA DC Plan. Three providers offer the State DC plan:

- Great West
- The Hartford
- ICMA-RC

The PERA DC plan is offered by PERA and is structured slightly differently from the State DC Plan. These differences will be explained later. If you choose the State DC Plan, you will also choose a provider from those listed above.

What is Your Risk Tolerance?

Some people like managing their own money. But each person has to take into account their own personal tolerance for risk. In general, the riskier the investment the higher its potential for large gains or losses. Lower risk investments also tend to have lower return potential. There are some great tools on the internet for measuring your risk tolerance, including those furnished by the providers that offer our retirement plans. If you are considering managing your own money, using these resources to assess your risk tolerance is a great place to start.

Defined Benefit Plan

Highest Average Salary

Your highest average salary, called "HAS", is the monthly average of your three highest years of pay. So if your three highest yearly earnings were $40,000, $45,000 and $50,000, your HAS would be $45,000.

Employees and their employers contribute a set amount of money to the plan every month. All of the money is pooled together and managed by the plan administrator, PERA. When you retire, your monthly benefit is determined based on your age, your number of years of state employment and your Highest Average Salary ("HAS"). See the box to the right for an explanation of HAS. The chart in Appendix C is used to compute benefits. This benefit is paid to you monthly for the rest of your life.

The PERA DB plan provides several options for survivor benefits. Survivors and named beneficiaries may qualify for lump sum payments or for a monthly benefit. To get more details on the DB's survivors' benefits options, visit PERA's website at **www.copera.org** or call 303-832-9550.

In addition, a portion of the employer's contribution may be set aside to provide additional benefits like possible cost of living increases, survivor benefits, subsidized retirement health insurance and retirement disability benefits.

Notes:

What Happens to the Money in My Account?

Money in retirement funds consists of the contributions made by the employee and the employer and the gains and losses made through investing the money. Fees will be subtracted from the funds. All investment funds have fees to cover the costs of managing the funds. There are two types of fees: administrative and investment management fees. Administrative fees are generally a fixed rate per month and cover the operating costs of the organization that is managing the money. Investment management fees reflect the cost of investing the money and vary by the type of investment. Investment management fees vary by type of asset and investment style.

How is the money managed in my account?

- **Defined Contribution Plans**

  Each member's account is separate and members decide how to invest their own money. All of the plans have a variety of funds that investors can choose from according to their own personal preferences. The account's performance will vary according to those choices. Members can move money between the funds daily, subject to transfer limitations. Fees are charged directly to that account based on the member's particular investment choices. Rates vary for different funds and can change quarterly. Fee rates are annual but are deducted from accounts monthly. Since members select a provider and funds in which to invest their money, they also have some control over the fees incurred.

  The funds you choose to invest in depend on your goals for return, risk tolerance and other life issues. It is highly recommended that you do some research on the types of funds and investments that are right for you. Funds can be researched by reading the prospectus for information about the fund's investment objective. It is also wise to review performance return data. (Although past performance should not be used as an indicator of future returns. Appendix A at the end of this workbook contains the fees charged by each provider for each fund offered.

Defined Benefit Plan

Money in the defined benefit plan is pooled and invested together. The investments are chosen by financial professionals meaning rates of return do not vary between individual members. Fees are charged against the aggregated funds as a whole, not to individual accounts. Members may view their account balances at any time online or by calling PERA.

Comparing Fees

Since fees vary depending on the vendor, the size of the account and the funds chosen, it might help to compare them using an account with a $30,000 balance. Remember, the fees for the PERA defined benefit plan are charged against the aggregate of all of the money in the plan, not each individual member.

Plan	Administrative	Investment Management	Possible monthly fees on a $30,000 account
State DC	None	Between .1% and 1.47% per year**	Between $2.50 & $38.25 varies by funds invested
PERA DB*	N/A	N/A	N/A
PERA DC	$2.25 ***	Between .05% and .92% per year**	$2.25 plus investment management fees per fund

*Fees are assessed on the combined funds, not to individual member accounts.

**Varies depending on the funds chosen. Rates used are as of 09/30/07. These can change quarterly

***For this example of $30,000. Varies depending on the size of the account balance.

What Happens at Retirement?

State Defined Contribution Plan

You may begin drawing money from the account after termination without incurring IRS penalties at age 55. If you withdraw money prior to that age, the IRS will assess a 10% penalty on the money withdrawn. The entire balance of the account, including all contributions and any investment gains and losses minus fees is yours to use. You are 100% vested in the employee and employer contributions from the first contribution made. The amount of money you choose to withdraw and the intervals at which you wish to withdraw it are up to you.

PERA Defined Contribution Plan

You may begin drawing money from the account after termination without incurring IRS penalties at age 55. If you withdraw money prior to that age, the IRS will assess a 10% penalty on the money withdrawn. The entire balance of the account, including all contributions and any investment gains and losses minus fees is yours to use. You are 100% vested in your contributions from the first contribution made. The PERA DC uses a vesting schedule for the employer contribution. You are 50% vested in the employer contributions from the first contributions and then you are entitled to 10% more per year until you reach 100% after five years. The amount of money you choose to withdraw and the intervals at which you wish to withdraw it are up to you.

Note: The primary difference between the two DC Plans offered is that the PERA DC Plan has a vesting schedule for the employer contributions.

PERA Defined Benefit Plan

You are eligible to receive a monthly retirement benefit when you reach age 65 or meet the age and service requirements listed below. Your retirement benefit is determined by the higher of a defined benefit calculation or a money purchase retirement benefit calculation.

Service Retirement Benefit:

Minimum Service Credit	Minimum Age
35 years	Any
30 years	55
Age & years = 80 or more	55
5 years	65
Less than 5 years	65

Reduced Service Retirement Benefit requirements see www.copera.org

Notes: ______________________________________

Leaving State Employment Before Retiring

Leaving the Money in the Account

No matter which option you choose, you can leave the money in your retirement account. You should also consider the impact of withdrawing or refunding your account since it represents retirement savings for your work at the State. Remember that as a State employee, you and your employer do not contribute to Social Security. (See Appendix B for details on Social Security and State employment.)

Defined Contribution

You may leave your account if you leave State employment. You would continue to manage the investments in the account; you just wouldn't be able to make further contributions. If left intact, the money in the account would continue to be non-taxable and will be the only retirement savings attributable to the time you worked for the State since no contributions were made to Social Security during this timeframe.

Defined Benefit

You can leave your money in the account and keep your accrued years of state service. If you return to employment either at the State or another PERA-affiliated employer, you will continue to add to those years of service credit. When you retire, you are eligible for a monthly benefit or may choose a lump-sum distribution based on your years of service and your age. To receive a monthly benefit, you need at least five years of service credit or you will need to be at least 65 years old. You would also be eligible to participate in and receive a subsidy toward the PERACare group health insurance plan and, depending on the payment option you chose at retirement, your surviving dependents could receive a monthly retirement benefit after your death.

Withdrawing Money from the Account

No matter which option you choose, you can withdraw money from the account if you leave State service. However, this money was contributed using pre-tax dollars under federal laws designed to encourage people to save for retirement. If you withdraw it before you are of retirement age (with a very few exceptions), you will be subject to both taxes on the money and to a federal tax penalty of 10%.

State Defined Contribution

You may withdraw the account balance if you leave State service. If you are under 55 years old, you will have to pay taxes and a 10% IRS penalty on any money not rolled over into another tax-deferred plan. When you withdraw money you receive:

- All of your contributions
- All of your employer's contributions
- Any gains or losses the account has accrued

PERA Defined Benefit

You can withdraw money from your PERA DB account if you leave State service. You must leave all of the money in the account or withdraw all of the money; you cannot withdraw only part of the funds. If you are under 55 years old, you will have to pay taxes and a 10% penalty on any money not rolled over into another tax-deferred plan. When you withdraw money from the defined benefit plan you receive:

- All of your contributions
- Interest (the current rate for 2007 is 5%)
- An additional "matching" portion based on your retirement eligibility (use the chart in Appendix C to determine eligibility)
  - You receive a 50% if you <u>are not</u> eligible for retirement.
  - You receive 100% match if you <u>are</u> eligible for retirement.

PERA Defined Contribution

You may withdraw all of the money from the account except, the non-vested portion of the employer's contributions if you leave State employment with less than five years of service. If you are under 55 years old, you will have to pay taxes and a 10% penalty on any money not rolled over into another tax-deferred plan. When you withdraw money you receive:

- ♦ All of your contributions
- ♦ Any gains or losses the account has accrued
- ♦ A portion of your employer's contributions based on the number of years you have been contributing to the fund
  - 50% of the employer contributions from the first contributions made to the account.
  - 10% more of those contributions every year. After five years, you will receive 100% of the employer contributions.

Comparing Amounts Available for Withdrawal

Seeing an example of how much money would be available for withdrawal might be helpful. This scenario uses the account balance of a person who worked for the state for three years and five years respectively and gross monthly salary was $20,000 per year for all three years. It assumes that the employee was not enrolled in any section 125 plans, that gains in the defined contribution plans were 7% per year and does not account for any taxes or penalties that would have to be paid if the money were not rolled over into another qualified tax-deferred plan.

	State DC	PERA DB (not eligible for retirement)	PERA DB (eligible for retirement)	PERA DC
3 years	$12,487	$7,944	$10,592	$11,090
5 years	$22,336	$13,925	$18,566	$22,336

Which Plan is the Right Plan?

There is no one right plan for everyone. The best plan for any one individual depends on a variety of factors. Below is a Q & A on a variety of factors to consider before making a choice.

1. What plan type is better for me?

   The selection of a retirement plan should take into consideration other sources of income or assets you may have. As a State employee, you do not contribute to Social Security, so the choice of plan type is very important since it may be the only source of retirement income for you. A DB plan may be better for some individuals, while a DC plan may be better for others.

   The answer to this question depends on a variety of factors that include:
   - Your retirement goals
   - Your risk tolerance
   - Your knowledge and ability to invest for retirement
   - Your desire for ancillary benefits such as survivor and disability benefits
   - Your personal financial situation

2. What are the advantages of a DB plan?
   - A DB plan provides a lifetime benefit.
   - A DB plan may provide ancillary benefits such as survivor and disability benefits that DC plans do not provide.
   - A DB plan may have cost of living increases to protect the retirement benefit from inflation.
   - DB plan contributions are invested by professionals on your behalf.
   - A DB plan may provide more income in retirement for long-term employees.

3. What are the advantages of a DC plan?
   - A DC plan is easy to understand. You invest your and your employer's contributions and manage your investment portfolio.
   - A DC plan may be easily transferred to another retirement plan upon termination.
   - A DC plan may provide more income in retirement for short-term employees.

4. What are the disadvantages of a DB plan?
   - A DB plan may provide less income in retirement for short-term employees.
   - A DB plan is complex and benefits are not easily understood.

5. What are the disadvantages of a DC plan?
   - DC plan participants do not have a guaranteed retirement benefit.
   - DC Plan participants often "cash out" their retirement accounts upon termination, therefore forfeiting savings that should have been dedicated to retirement.
   - DC plan investors often lack the knowledge to successfully invest their contributions.

6. I know I want a DC plan. What are the differences between the State's DC Plan and the PERA DC Plan?

   - The State DC Plan and the PERA DC Plan have different vesting schedules for employer contributions.
   - In the State DC plan, you own 100 percent of the employer contributions on the day the first contribution is made.
   - The PERA DC Plan has a vesting schedule in which you own 50 percent of your employer's contribution on the day the first contribution is made. For every year thereafter, you own, or vest, in 10 percent more, so at

the end of five years of participation, you own 100 percent of your employer's contribution made on your behalf.

- The State DC and PERA DC Plans have different options or restrictions regarding changes you may make to your future retirement choice.
- If you elect the State DC Plan you are not eligible to participate in the PERA DB or PERA DC Plans. You may however, change investment providers once a year at open enrollment.
- If you elect the PERA DC Plan you may transfer to the PERA DB Plan during years 2-5 of employment. You may purchase the service credit for the PERA DC Plan years after one year of PERA DB participation.

7. <u>Can I track the investments in the newspaper for all of the DC plans?</u>

If a State DC Plan participant chooses individual investments, the investments can be tracked by their stock market or ticker symbol. If a participant chooses a bundled investment based on risk tolerance the choices of investment funds from each provider are customized and may not be tracked individually. All but two of the PERA DC investment funds are available in the retail sector and can be tracked by their stock market or ticker symbol.

8. <u>What are the differences in cost for the plans?</u>

When determining how much it costs to invest your retirement account, you should know that there are two kinds of fees charged; administrative fees and investment management fees.

Administrative and investment expenses for the PERA DB Plan are subtracted from plan assets (not individual member accounts). Administrative costs are less than one-tenth of one percent (0.1%), or 10 cents for every $100 under management. Investment expenses are 0.39 percent or 39 cents for every $100 under management.

Administrative fees for the PERA DC Plan are based on the individual participant account balance and range from $2 to $3.25 deducted monthly. Investment management fees range from 0.05 to 0.92 percent of assets, depending on the fund, and are assessed and valued daily.

Administrative fees and investment fees for the State DC Plan vary by investment provider. Administration fees are based on a percentage of the individual participant account balance and range from 0 to 0.55 percent deducted monthly. Investment management fees fund participation range from 0.05 to 1.59 percent of assets depending on the fund, and are assessed and valued daily.

Notes: ____________________________________

Is It Possible to Change Plans?

The choice of the State Plan or the PERA Plan is irrevocable. Meaning you can only make this choice once during your initial 60 calendar days of employment. After that initial decision is made, you may make changes within the Plans, under specific guidelines.

- **State Defined Contribution Plans**

  You can change between the three plan providers, Great West, The Hartford and ICMA-RC once per year during open enrollment (typically in April/May).

- **PERA Defined Benefit and PERA Defined Contribution**

  If you opt for one of these two plans, you have the flexibility to change between them for a limited period of time. You may change to the other plan during the second through fifth years of enrollment. If you initially choose the PERA DC Plan and decide to switch to the PERA DB Plan, you can purchase years of service credit after one year in the DB Plan, up to the number of years you participated in the DC Plan. You can use the money that has accumulated in the DC Plan account toward purchasing that service credit. If you initially choose the PERA DB Plan and decide to switch to the PERA DC Plan, you will be subject to the vesting schedule for new participants in the PERA DC Plan. Years worked under the DB Plan do not count toward vesting in the DC Plan.

What has to be done to make a Choice?

You must fill out forms and submit them to your Department's HR or Payroll Office. There are several forms required no matter what plan you choose. Each plan requires an additional enrollment form. **All the forms** are available in the *New Hire Retirement Choice Packet* available on the DPA Benefits website at, http://www.colorado.gov/dpa/dhr/benefits/FY07/retire.htm.

Forms required for all plans

- Retirement Choice Release Form
- SSA-1945, Statement Concerning Your Employment in a Job Not Covered by Social Security
- Retirement Choice Election Form
- Vendor enrollment form (details below)

State Defined Contribution with The Hartford

- Hartford Enrollment Record Form

State Defined Contribution with Great West

- Great West Participant Enrollment 401(a) Plan Form
- Great West Beneficiary Designation

State Defined Contribution with ICMA-RC

- State of Colorado Defined Contribution Retirement Plan Employee Enrollment/Change Form

PERA Defined Benefit

- PERA Member Information Form (available online at http://www.copera.org)

PERA Defined Contribution

- PERA DC Beneficiary Designation Form (available online at http://www.copera.org)

Is More Help Available?

There is plenty of help available to answer your questions and provide you with assistance. In addition, there are websites listed where you can find lots of additional information and help.

Your Department's Payroll Office

- Find online at http://www.colorado.gov/dpa/dhr/benefits/index.htm and click on "Who is my Human Resource contact".

DPA

- Suzanne Kubec, DC Plan Administration
  303-866-3954
  Suzanne.kubec@state.co.us
  http://www.colorado.gov/dpa/dhr/benefits/FY07/retire.htm

Great West

- Client Service
  1-800-838-0457, option #2
  http://www.colorado401a.com/

The Hartford

- Customer Service
  303-645-8513 or 1-800-525-7418
  http://www.retire.hartfordlife.com/

ICMA-RC

- Customer Service
  720-851-1869 or 1-866-749-5178
  http://www.icmarc.org/xp/plans/colorado/

PERA

- Customer Service Center
  303-832-9550 or 1-800-759-7372
  http://www.copera.org

Are There Other Savings Options Available?

State employees have two supplemental plans they can use to save additional tax-deferred money for retirement. These tax-deferred plans were created under federal law to encourage employees to use pre-tax dollars for retirement savings. You can contribute a maximum of $15,500 (2007 and 2008 limit) per year to these plans up to age 50. Those who are 50 and older can contribute up to $20,500 (2007 and 2008 limit) per year. Employees may enroll in, make changes to and stop participating in a supplemental retirement savings plan at any time, with some exceptions.

State of Colorado 457 Plan

Employees enrolled in either the State's DC Plan, or the PERA DB or DC Plans may participate in this savings plan. The first contribution is the month following the month of enrollment.

PERA 401(k) Plan

Only employees who are members of the PERA defined benefit or PERA defined contribution plans may elect this savings plan.

Websites

Both plans provide websites with additional information.

- State of Colorado 457 Plan

  http://www.colorado457.com

- PERA 401K Plan

  http://www.copera.org

There are a few differences between the plans under federal laws. These differences are summarized in the chart on the next page.

State of Colorado Comparison of Tax-Deferred Plans

IRS Codes	State of Colorado 457 Plan	PERA 401(k) Plan
Minimum Contribution	$25 per month	None
Maximum Contribution	$15,500 in 2008 $15,500 in 2007	$15,500 in 2008 $15,500 in 2007
Catch-up Provision	For the 3 consecutive Years prior to retirement you can contribute up to twice the available limit.	Not available
Catch-up for participants age 50 & over (1)	Participants age 50 and over may make additional contributions of $5,000.	Participants age 50 and over may make additional contributions of $5,000.
Loans	One per account balance for any reason (4)	Up to two loans at any time for any reason.
Distributions	Separation from service, retirement, disability, deminimus.	Age 591/2, retirement, disability, separation from service. (2)
Active Service Withdrawal	Unforeseeable emergency (4)	Financial hardship or after age 59 ½.
Purchase Service Credit	Yes (4)	Yes
Rollover Provisions	Rollovers between 457, 401(k), 403(b), IRA (3)	Rollovers between 457, 401(k), 403(b), IRA (3)
Penalty on early withdrawals before age 59 ½.	No	Yes, unless rolled over to another tax-deferred account, life time monthly payments, or an exception applies.
Plan Fees	Investment Management Fees apply to each fund. Monthly fees are $0.00 for FY08 Visit www.colorado457.com	Investment Management Fees apply to each fund. Monthly fees range from $2.00 to $3.25 depending on account balance. Visit www.copera.org
Commission, or load fees.	None	None

(1) This is a coordinated limit between 401k and 403(b) plans. Over-age 50 catch-up cannot be used at the same time as the traditional catch-up.
(2) All withdrawals are subject to ordinary income tax. A 10% federal tax penalty may apply to withdrawals made prior to age 59 ½.
(3) Any monies rolled over from a 457 to any other plan may be subject to the 10% federal tax penalty for withdrawals made prior to age 59 ½ .
(4) The employer match was suspended effective May 2004, SB04-132. 457 participants with match account balances may still apply for a loan, hardship or purchase service credit.

Note: This is only a summary. The actual terms of the above noted Plans are governed by the legal plan documents and federal and state law. Any inconsistencies between this summary and the plan documents or federal and state law, the plan documents and federal and state law will prevail.

Appendix A – DC Investment Fees

The following tables show the investment fees for each provider by fund. Fees change on a regular basis. These numbers were accurate as of April 30, 2008.

State DC - Great West	
Fund Name	**Total Fees**
VANGUARD BOND INDEX	0.32%
Vanguard Inst Index	0.30%
GWRS CO Stable Value Fund	0.40%
Portfolio Funds – Aggressive Moderate Conservative	 .66% .49% .33%
Dodge & Cox International	.66%
TCM Small Cap Growth	.93%
Artisan Mid Cap	1.20%
Veracity Small Cap Value	1.58%
Munder Mid Cap	1.08%
American Funds	.38%
Hotchkis & Wiley	.98%

State DC - The Hartford	
Fund Name	**Total Fees**
Hartford International Capital Appreciation HLS	.88%
Baron Small Cap	1.31%
American Beacon Small Cap Value	1.05%
Munder Mid Cap Core Growth A	1.31%
Artisan Mid Cap Value	1.20%
American Funds: The Growth Fund of America	.66%
Davis New York Venture	.86%
SsgA S&P 500 Flagship	.35%
Hotchkis and Wiley Large Value	1.23%
American Century Strategies Allocation: Aggressive Moderate Conservative	 1.18% 1.05% .99%
Hartford Total Return Bond HLS	.50%
SEI Stable Asset Fund	.65%

State DC - ICMA	
Fund Name	**Total Fees**
VT FIDELITY DIVERSIFIED INTERNATIONAL	.93%
VT Fidelity Small Cap Retirement	1.04%
T. Rowe Price Small Value Adv.	1.02%
Ranier Small/Mid Cap	1.18%
American Century Value Inv	.99%
Vantagepoint Growth	0.88%
Vantagepoint 500 Stock Index Fund Class I	0.25%
Vantagepoint Equity Income	0.89%
VT PIMCO Total Return Admin	0.68%
VantageTrust Plus Fund	.46%
Model Portfolio Funds	
Savings Oriented	0.88%
Conservative Growth	0.91%
Traditional Growth	0.96%
Long-Term Growth	1.02%
All-Equity	1.11%

PERA Choice	
Fund Name	**Total Fees**
NORTHERN TRUST SHORT TERM FUND	.22%
PIMCO Low Duration Fund	.43%
PIMCO Total Return Fund	.43%
PAX World Balanced Instl	.71%
Dodge & Cox Balanced Fund	.52%
Vanguard Institutional Index Fund	.05%
PERA Growth & Income Fund	.30%
American Funds EuroPacific Growth Fund	.53%
Fidelity ContraFund	.89%
GMO U.S. Growth Fund	.76%
Vanguard Small Cap Index Fund	.08%
Fidelity Freedom Income Fund	.55%
Fidelity Freedom 2000 Fund	.57%
Fidelity Freedom 2010 Fund	.68%
Fidelity Freedom 2020 Fund	.76%
Fidelity Freedom 2030 Fund	.80%
Fidelity Freedom 2040 Fund	.82%
Dodge & Cox Stock Fund	.52%

Appendix B –
Social Security and State Employment

Social Security Replacement

As a state employee, neither you nor your employer contributes to Social Security. You won't see a "FICA" deduction on your paycheck.

Contribution Rates

Colorado pension plans:

	Employee	8.0%
	Employer	10.15%

Social Security:

	Employee	6.2%
	Employer	6.2%

Governments had the option of not participating in Social Security. Colorado started its own retirement plan before Social Security began and is not required to contribute to Social Security. Employees are required to participate in a replacement pension plan.

Colorado's Pension History

The state's original pension plan, then known as the State Employees' Retirement Association and now called PERA, was established in 1931. Social Security was not established by the federal government until 1935.

Lowered Social Security Benefits

Your pension plan could reduce the amount of money you receive from Social Security when you retire. If you spend most of your working life in a state job, your Social Security benefit may be partially or completely reduced. There are two provisions in the tax code which impact your Social Security benefits

Windfall Elimination Provision (WEP)

This provision affects the calculation of your monthly Social Security payment. It takes into account the number of years you worked and contributed to Social Security as well as the amount of wages you made in each year. It then calculates a reduction of your monthly benefit based on the amount of pension you expect to receive. The maximum deduction is 56% of the original benefit, $340.00 or one-half of your monthly pension benefit, whichever is smaller. The yearly statements that Social Security sends you do not reflect the deduction but you can get an idea of what the deduction will be by using the calculator at: ***http://www.ssa.gov/retire2/anyPiaWepjs04.htm***

This provision could reduce your Social Security benefits even if you withdraw all the money from your government pension fund. If you will not be receiving a monthly government pension benefit and would still like an idea of how much your Social Security benefits will be reduced, call the Social Security Administration at 800-772-1213.

Qualifying for Social Security Benefits

Earned Benefit: Although your monthly Social Security benefit is calculated using the amount of your earnings over your working life, you must have enough "credits" to qualify to receive benefits at all. You earn credits when you work in a job where you and your employer contribute to Social Security. Before 1978, you earned one credit for every calendar quarter your wages were more than $50. After 1978, you earned one credit for every $970 you earned in a year, up to a maximum of four credits per year. People born in 1929 or later need 40 credits to qualify to receive Social Security payments when they retire.

Spousal Benefit: If you are now, or were in the past, married to a person who earned a Social Security benefit, you may receive a Social Security spousal benefit.

Government Pension Offset (GPO) provision

This provision impacts Social Security benefits received by a spouse or surviving spouse of a Social Security recipient. A Social Security spousal benefit could also be reduced by your years of contributing to a government pension rather than Social Security. The reduction in a spousal benefit is equal to two-thirds of the government pension amount. Usually, government pensions are greater than Social Security benefit, which results in the elimination of the Social Security spousal benefit.

The Medicare Program

Newly-hired state employees pay the Medicare payroll tax of 1.45%, so your benefits under that program will not be affected. The payroll deduction is 1.45% for both employee and employer.

Notes:

How much will be contributed for you?

Your monthly salary: ________

Multiplied by 18.15%: ________

Monthly account contribution: ________

Special Tip to Use When Calling Social Security

Not everyone who answers the phone at the Social Security Administration office understands the WEP and GPO provisions. If you want to make sure you get in touch with a customer service agent that is well versed in these, use the acronyms "WEP" and "GPO" when you talk to them. If they know what you're talking about, you're connected to someone who can help you!

Appendix C – PERA Defined Benefit Chart

Highest Average Salary Percentages
For Retirement Benefit Option 1

For Members Hired 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	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	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	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	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	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	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	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	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	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	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	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 222.copera.org.