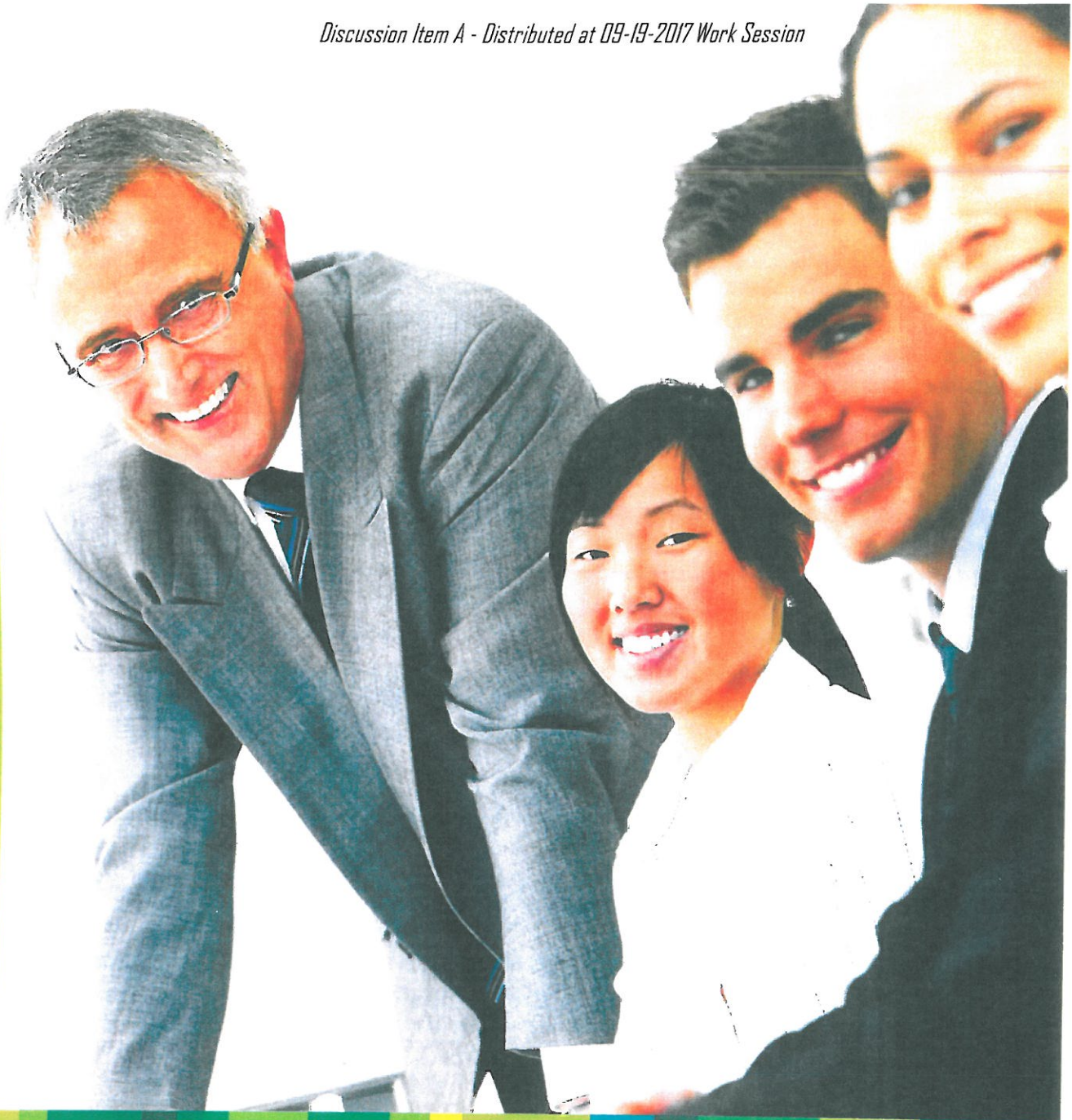


July 2017



# PERA 101 **FOR EMPLOYERS**



# COLORADO PERA

## A Brief History and Timeline

### WHAT IS COLORADO PERA?

The Colorado Public Employees' Retirement Association (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 continues to serve more than 560,000 current and former public employees by providing a lifetime retirement benefit and other voluntary investment and insurance products.

PERA is a "qualified" retirement plan under the Internal Revenue Code Section 401(a). As a defined benefit plan, PERA benefits are based on a benefit formula that is set by law. For most PERA members, PERA serves as a substitute for Social Security.

The function of PERA is to provide present and future retirement or survivor benefits for its members.

### MEMBERSHIP IN PERA

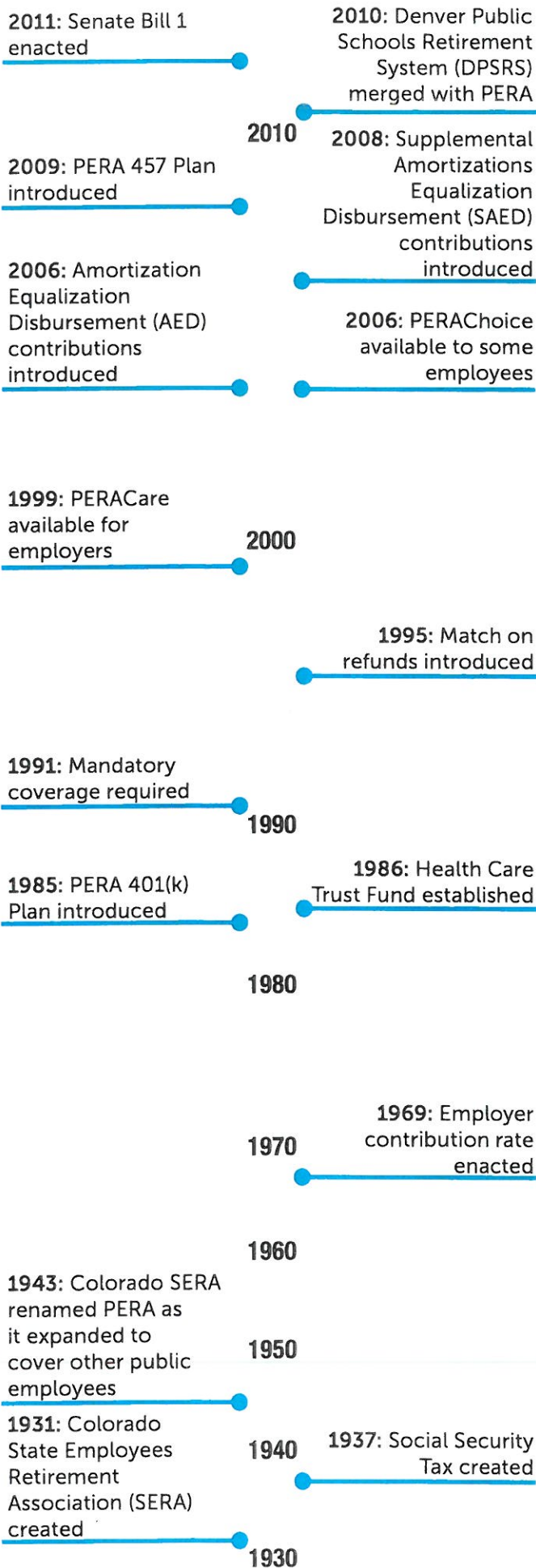
Currently, nearly 207,000 active employees of state government, public schools, universities and colleges, and many cities and local government districts are members of PERA, and more than 580 Colorado public employers are affiliated with PERA.

PERA membership includes the following:

- » Employees of the State of Colorado
- » Employees of all school districts
- » Judges in the Colorado judicial system
- » Employees of many municipalities, special districts, public health departments, and other local government entities

### FUNDING OF PERA

Funding a retirement program is a long-term commitment, and it's important to remember that all benefits are not payable and due at once. One of PERA's stated funding objectives is to be able to pay long-term benefit promises through contributions that remain relatively level from year to year as a percent of salaries earned by members. This means that each year, members and employers pay their fair share for benefit service accrued in that year.



# PERA BY THE NUMBERS

More than **\$4.2** billion distributed to retirees and benefit recipients in 2016

Percentage of PERA retirees living in Colorado and supporting local economies

**87%**

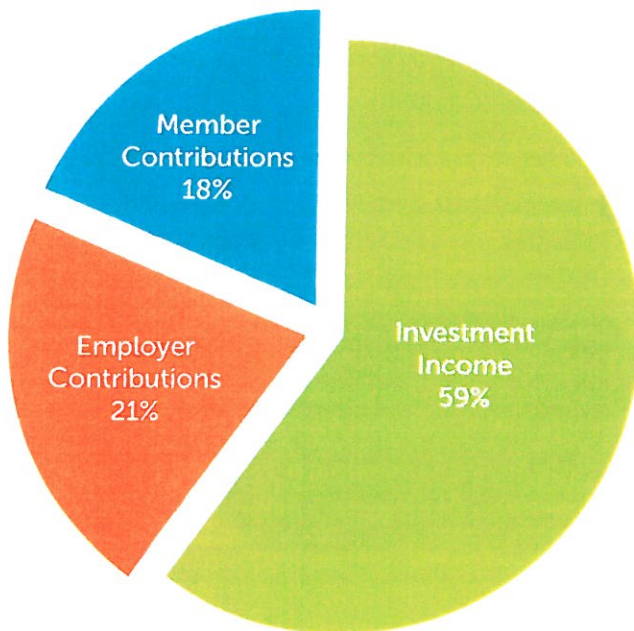
**\$6.1**

billion in total economic output as a result of annual PERA benefit payments

**More than \$495** million is invested  
by PERA in Colorado

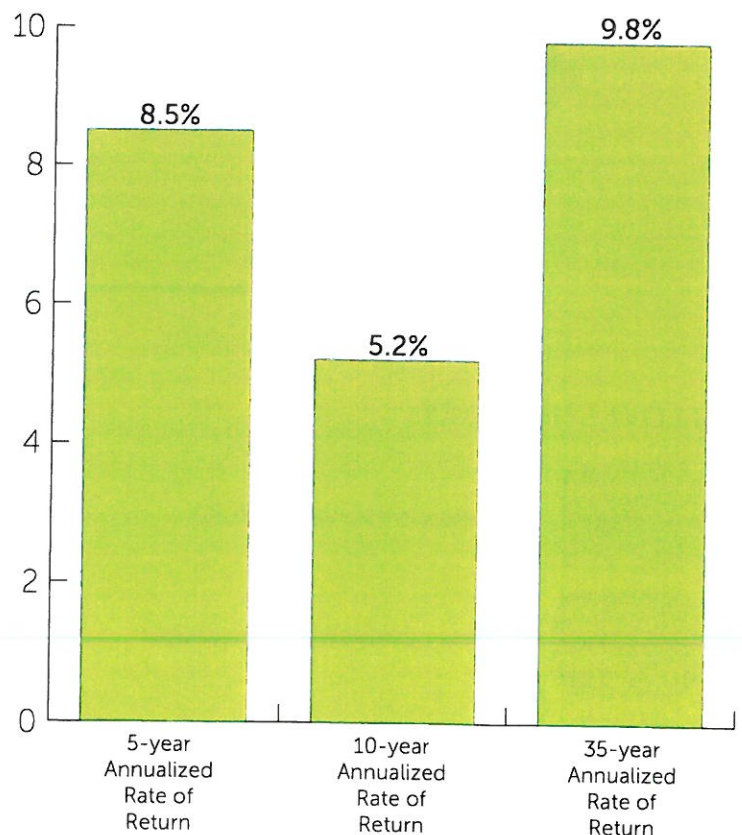
**32,807**

jobs sustained  
by PERA's  
benefit  
payments



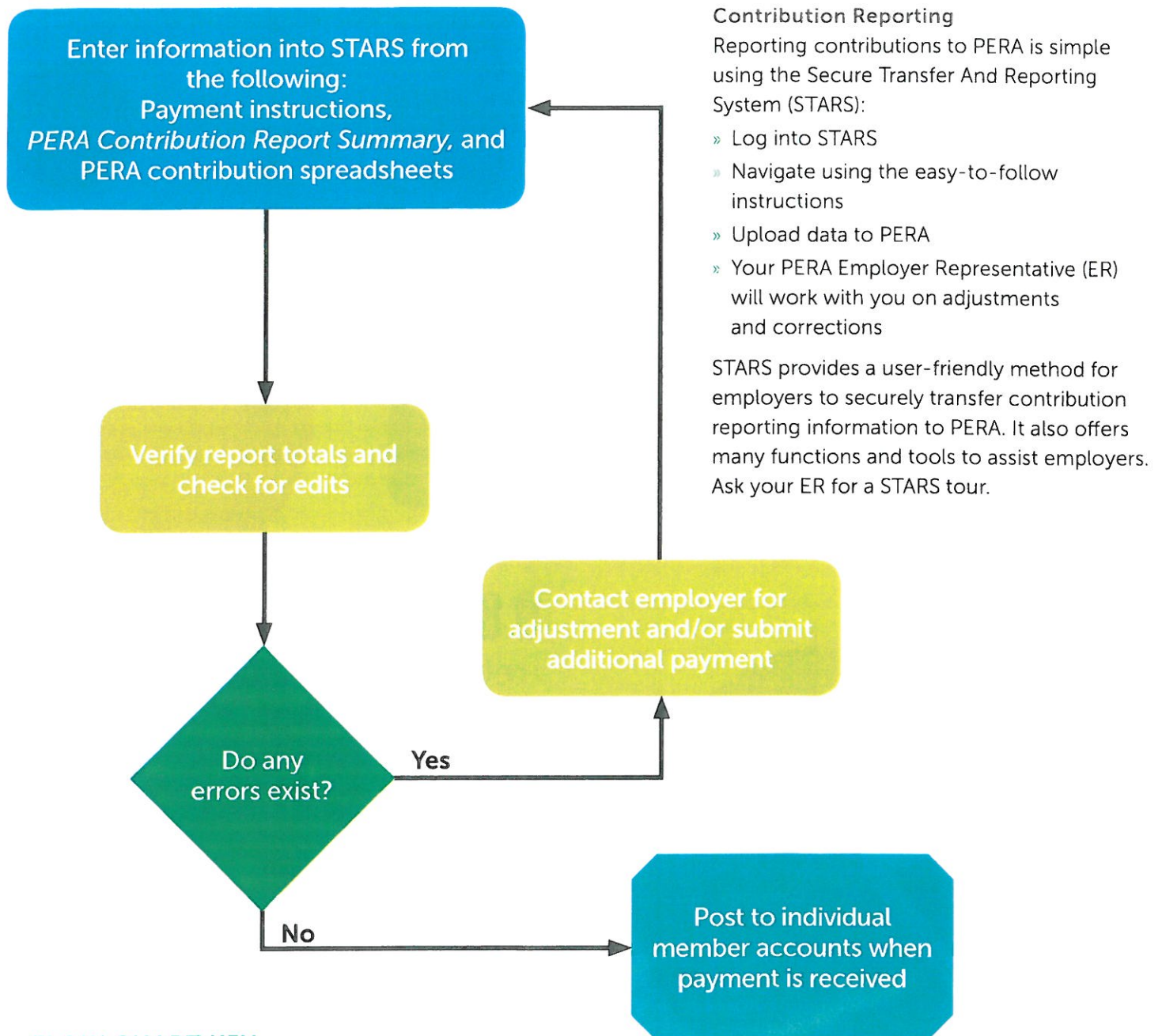
Funding of PERA  
Since 1981

**9.8%** annualized investment  
return over the last 35 years





# THE CONTRIBUTION REPORTING PROCESS



## FLOW CHART KEY



# PERA DEFINED BENEFIT VS. DEFINED CONTRIBUTION

	PERA Defined Benefit (DB) Plans	Defined Contribution Plans (such as 401(k), 403(b), and 457)
Contributions	Contributions are made on behalf of each employee by the employer, and employees also contribute to the plan (contribution rates are set by the State Legislature).	Employees make their own contributions to their savings accounts at whatever rate they choose. Employers may or may not provide matching funds.
Investments	Contributions for all employees are pooled and invested by asset managers in a diversified portfolio of assets—stocks, bonds, real estate, Colorado companies, etc.	Employees manage their own investments.
Amount of money in retirement	The monthly benefit is determined by a set calculation, based upon the years of service and Highest Average Salary (HAS) for a specified period of time.	The money available at retirement is simply the amount that one has accumulated in the plan over time.
Lifetime benefit income	Payouts are provided as a monthly income stream that is guaranteed for the remainder of a retiree's life.	Benefit ends when amount accumulated is exhausted.
Potential annual increase to retirement benefits	Yes	No
Supplemental benefits	Access to survivor benefits, disability benefits, life insurance, and the PERACare Health Benefits Program.	Generally, none.

## RESOURCES

### Employer Relations (ER) Team

- » 303-863-3724
- » The ER Team is the primary resource for employers with questions about PERA benefits and contribution reporting and also offers group training for employers.

### Customer Service Center (CSC)

- » 1-800-759-7372
- » Through the CSC or PERA website, employees can schedule an individual counseling session with a PERA Benefits Counselor.

### Field Education Services

- » 303-837-6236
- » The Field Education Services Division provides group meetings on a variety of PERA topics at public venues and employer locations by invitation.

### PERAplus 401(k)/457 and PERA DC Plans

- » Voya: 1-800-759-7372, select the PERAplus/DC option
- » PERA's Defined Contribution Team:
  - 303-398-7665
  - [definedcontribution@copera.org](mailto:definedcontribution@copera.org)

- If you are unsure who your Employer Representative or Field Education Representative is, you can go to the "Employer Login" page on PERA's website and click on the "PERA Representative Search" drop-down menu to find your representative(s) and contact information.

This brochure provides general information about PERA benefits for employers. PERA membership rights, benefits, and obligations are governed by Title 24, Article 51 of the Colorado Revised Statutes, and the Rules of the Colorado Public Employees' Retirement Association, which take precedence over any interpretations in this brochure.

5-144 (REV 7-17)

## Contact PERA



Visit PERA's website at  
[www.copera.org](http://www.copera.org).



Call PERA's Customer Service  
Center at 1-800-759-7372.



Visit the PERA offices in Denver,  
Lone Tree, and Westminster.

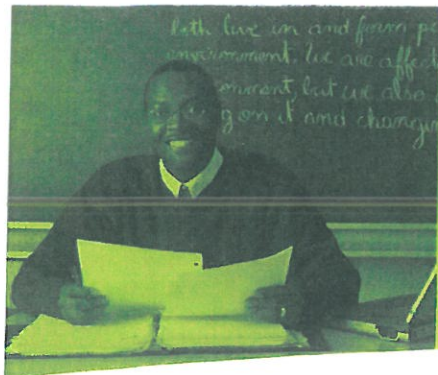


Send mail to PERA at  
PO Box 5800  
Denver, CO 80217-5800



Forms and publications can be found  
on PERA's website. Copies can  
also be requested by calling PERA's  
Customer Service Center.





## Independent Studies Offer EXPERTISE AND INSIGHT

In the last year, PERA has benefited from the release of three studies conducted by neutral, outside experts examining aspects of the benefit and funding structure for Colorado's retirement plan for public employees. These studies are the result of legislation supported by the PERA Board of Trustees and enacted by the Colorado General Assembly in 2014 (Senate Bill 14-214).

Together, the Sensitivity Analysis from Pension Trustee Advisors, the Plan Design Study from Gabriel, Roeder, Smith & Company, and the Retirement Benefits Study by Milliman, provide a useful roadmap for the PERA Board of Trustees along with PERA members, Colorado policy makers, and taxpayers to work together for a sustainable public retirement system in the years and decades ahead.

### PENSION TRUSTEE ADVISORS (PTA) SENSITIVITY ANALYSIS

Released on October 19 by the Colorado Office of the State Auditor and reviewed by the General Assembly's Legislative Audit Committee, this analysis looks at the various components used in determining PERA's financial health. The report's findings demonstrate that the PERA Hybrid Defined Benefit Plan is on track to be fully funded, with all five of PERA's trust funds projected to achieve fully funded status over time. The study also shows that the actuarial assumptions PERA uses as it makes projections and manages the plan are reasonable.

A second, critical objective of the study was to develop an understandable format for communicating PERA's progress toward becoming fully funded, meaning that the Plan is moving toward accumulating assets equal to its accumulated obligations.

To fulfill this objective, the PTA analysis includes a signal light methodology designed to expand how PERA reports on its funded status as well as the likelihood of achieving its full funding objectives.

This methodology indicates that the four largest of PERA's five division trust funds are sustainable and on a path to full funding, receiving a "green light." The 600-member Judicial Division received a "yellow light."

The report notes the significant impact of the shared sacrifice required of PERA retirees, members, and taxpayers as a result of bipartisan legislation enacted in 2010 (Senate Bill 10-001). If the signal light reporting method had been in place in 2009 during the Great Recession, it would have shown all Divisions in orange or red, meaning that PERA would be unable to pay benefits in fewer than 30 years.

Under the signal light methodology, changes from the reforms implemented as a result of that legislation moved the fund from red status to green.

Moving forward, PERA plans to incorporate the new and unique signal light methodology to enhance its reporting on funding progress.

*continued on reverse*





## **GABRIEL, ROEDER, SMITH & COMPANY PLAN DESIGN STUDY**

In July, the Colorado Office of the State Auditor released an independent evaluation of PERA comparing the costs and effectiveness of PERA's Defined Benefit Plan to alternative plans in the public and private sector.

Nationally recognized actuarial firm Gabriel, Roeder, Smith & Company (GRS) looked specifically at PERA's Hybrid Defined Benefit Plan and compared it to alternative plans in the public and private sectors. Their evaluation came to the overall conclusion that "Colorado's largest public employee pension system is the most efficient and effective a state could have," as GRS officials told members of the Legislative Audit Committee.

In short, the PERA plan design costs less and provides more for nearly all types of public workers, regardless of the age when they start or leave public employment.

As the report to the audit committee notes, PERA's Hybrid Plan is "more efficient and uses dollars more effectively than the other types of plans in use today."

## **MILLIMAN RETIREMENT BENEFITS STUDY**

In January of this year, the Colorado Department of Personnel and Administration released the results of the 2015–2016 survey of state employee total compensation conducted actuarial firm Milliman.

The Colorado General Assembly had asked for this year's salary survey to include the value of the PERA retirement benefit. Specifically, Senate Bill 14-214 required a comparison between the retirement package provided to state employees through PERA to retirement packages offered by both private companies and other states.

When compared to 19 other states and four private sector entities including the University of Denver and SCL Health System, the value of the PERA benefit is 1 percent above the median plan value of 14.7 percent.

As the Milliman report concludes, "The State's offerings are generally consistent with market trends of survey participants."

## **LOOKING TO THE FUTURE**

As a result of these studies, important conversations will be informed by the analysis of neutral experts familiar with the complex variables impacting a retirement plan with over 500,000 members and retirees.

These public employees include Colorado's teachers, State Troopers, and highway workers. Their work contributes to the quality of life in Colorado's communities.

Independent, critical evaluations of PERA such as these studies provide will help ensure PERA is sustainable for the long term, providing an economic engine for Colorado and protecting a secure retirement for all public employees.

### **More Information**

To review the information referenced in this handout, read the "Independent Studies Offer Expertise and Insight" article on [www.peraontheissues.com](http://www.peraontheissues.com).



## Positively Impacting Colorado's Economy

### Southwest Mountain Region



The economic impact to state/local governments amounts to

**\$3.5 million**

in tax revenue, which supports schools, roads, and other important services



PERA retirement distributions result in **\$78.8 million** in total economic output

And help sustain **436 jobs** in the Southwest Mountain region



Creates **\$18 million** in labor income

Adds **\$32 million** to the total value of goods and services in the Southwest Mountain region

Amounts and data shown above are annual payments as of September 2014, prepared by Pacey Economics, Inc.



One of Colorado's Best Investments

## Positively Impacting Colorado's Economy

Every year, Colorado PERA retirement benefit payments are a critical source of reliable, predictable income and provide an "automatic stabilizing effect" on the state, regional, and local economies.



The economic impact to state/local governments amounts to

**\$267 million**

in tax revenue, which supports schools, roads, and other important services



PERA retirement distributions result in **\$5.2 billion** in total economic output

And help sustain

**29,356 jobs**



Creates **\$1.46 billion** in labor income

Adds **\$2.52 billion** to the total value of goods and services in Colorado

Amounts and data shown above are annual payments as of September 2014, prepared by Pacey Economics, Inc.



One of Colorado's Best Investments



# PERA EMPLOYER RESPONSIBILITIES AND RESOURCES

June 2015





Revised January 2017

*Discussion Item A – Complete brochure Distributed at 09-19-2017 Work Session*



# YOUR PERA **BENEFITS**

A SUMMARY OF THE COLORADO PERA DEFINED BENEFIT PLAN

