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PERA and Social Security

A publication for members of the Colorado Public Employees' Retirement Association

March 2012



COLORADO PERA®

Member REPORT

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PERA Investment's "House View"

One of the best things about my job is that, every day, I have the privilege of interacting with the PERA employees who manage your money, provide benefits, and support the day-to-day operation of this \$40 billion enterprise.

At the January Board of Trustees meeting, PERA investment directors presented their outlook or "house view" on the economy and the various markets or asset classes in which your retirement dollars are invested. About three out of every five dollars in the PERA trust fund come from earnings on these investments, which allows PERA to pay fair retirement benefits while limiting the financial burden on public employees and their employers.

PERA's investment team, led by Chief Investment Officer, Jennifer Paquette, CFA, is made up of more than 50 professionals who invest about two-thirds of the PERA portfolio on your behalf. The remaining third of the portfolio is invested by external money managers, who are overseen by PERA staff and investment consultants. By using internal staff to invest a large portion of the investment portfolio, PERA saves over \$25 million dollars every year—money that can be reinvested and eventually paid as retirement benefits. The total annual cost of managing PERA's investments is just 0.3 percent of PERA assets.

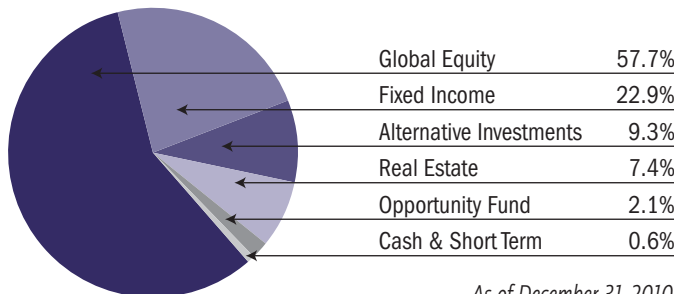
Equities

Global Equities Director, Jim Liptak, CFA, and his team believe corporate earnings will continue to grow faster than the economy. Corporate balance sheets are very strong with large cash holdings. He contends that stock valuations are reasonable, especially when compared to bonds, and that the Federal Reserve has taken action to reduce uncertainty in the market by keeping interest rates low. Liptak and his team expect continued stock price volatility as global economies address a range of challenges. Economic growth forecasts have come down sharply from one year ago and that, coupled with an uncertain political environment and high levels of debt owned by foreign governments, somewhat dampen optimism. While equities could certainly suffer a near-term correction in light of recent strength, the general outlook is cautiously optimistic.



Meredith Williams
Colorado PERA
Executive Director

Continued on next page



As of December 31, 2010

PERA's investments are broadly diversified to limit risk while allowing for strong long-term returns.

Fixed Income

Fixed Income Director, Mark Walter, CFA, and his team provided an analysis of the bond markets. Their view is that growth and European government debt concerns have pushed rates to record lows and they expect long-term rates to remain low as the policy and economic debates continue. The Fixed Income team has a positive outlook on corporate, high yield, and emerging market debt, but they are cautious when it comes to government-related debt and short-term interest rates.

Real Estate

Jim Lavan is the Director of Real Estate at PERA. Lavan and his team provided an overview of the institutional real estate market. PERA's Real Estate portfolio contains core assets (stable assets with healthy income streams) where the market has recovered, and non-core assets (assets with more growth potential), which are in the early stages of a rebound. Traditional lenders are focused on core properties, thus creating a void and pressure for non-core investors. Lavan and his team see an opportunity for specialty lenders to fill the capital gap for non-core properties. PERA's core asset target is now 40 percent of the Real Estate portfolio and serves as a buffer during volatile times by providing stable income and value preservation. Aligning with experienced equity partners that have good lender relationships should provide higher returns for investors willing to take the risk.

Alternative Investments

About 9 percent of the PERA portfolio is invested in Alternative Investments. These private equity investments are overseen by Director Tim Moore, and his team. Their market outlook is positive

for buy-outs and special situations investments, but more cautious in venture capital. The team's strategy is to continue to select top-tier partnerships and to utilize new portfolio management tools. Moore noted that the market for trading private equity partnerships is active and robust, and has potential for opportunities.

Opportunity Fund

The newest asset class in the PERA portfolio is the Opportunity Fund. The investments in this category are overseen by Bill Koski, CFA, and his team and include unique investments in timber, commodities, and other investment vehicles that do not fit into traditional asset classes. Koski noted that timber continues to see demand from overseas markets, but its outlook is tinged with some uncertainty related to the recovery of the U.S. housing market. Commodity markets will be influenced by the financial and economic health of the Eurozone, the U.S., the outlook for growth in China, and geopolitical events.

As you can see from this brief summary, there is a high level of investment knowledge right here at PERA. This snapshot of our staff's views will, of course, evolve and change as markets and valuations change. I remain privileged to work with such talented employees. Know that everything we do is on behalf of you and other PERA members.

Feel free to contact me at Meredith@copera.org. 



Member Report

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Legislative Update

Several bills affecting PERA have been introduced during the 2012 legislative session. For updated information on these bills, please go to the 2012 Legislative Information Center on the PERA Web site at www.copera.org.

Senate Bill 12-016: Local Government Option to Change PERA Contribution Rates

Sponsors: Sen. Kent Lambert (Colorado Springs) and Rep. Brian DelGrosso (Loveland)

The bill would allow any PERA employer in the Local Government Division to vote to increase member contribution rates by up to 2.5 percent of salary, and to decrease employer contribution rates by the same percentage, effective January 1, 2013. This contribution swap could be made effective for one year only or for multiple years, depending on the decision of the governing board of the Local Government Division employer.

This bill was postponed indefinitely.

PERA's Position: The PERA Board voted to oppose Senate Bill 12-016.

Senate Bill 12-082: PERA Retirement Age Same as Social Security

Sponsor: Sen. Ted Harvey (Highlands Ranch)

This bill would require that age requirements for receiving PERA benefits match the age requirements for receiving Social Security benefits for any new PERA member hired on or after January 1, 2013.

This bill was postponed indefinitely.

PERA's Position: The PERA Board voted to oppose Senate Bill 12-082.

SB 12-084: PERA Transparency

Sponsors: Sen. Kent Lambert (Colorado Springs) and Rep. Spencer Swalm (Centennial)

Currently, law provides that all information contained in records of members, former members, inactive members, and benefit recipients, as well as records of participants in PERA defined contribution (DC) plans, be kept confidential by PERA. The bill would create an exception to current law and require PERA to publicly disclose certain PERA information on individual elected officials and cabinet-level appointees of elected officials on a yearly basis.

Information to be reported would include the member's name, each position held during employment with a PERA employer, the annual salary paid for each position, the employer and employee contributions paid on that salary, age of retirement, Highest Average Salary (HAS), and amount of any benefits paid.

This bill was postponed indefinitely.

PERA's Position: The PERA Board voted to oppose Senate Bill 12-084.

Senate Bill 12-119: PERA Fiscal Sustainability

Sponsors: Sen. Tim Neville (Littleton) and Rep. Chris Holbert (Parker)

This bill would require the PERA Board to reduce benefit provisions when the amortization period for any Division exceeds 30 years. The Board would be required to make changes to the provisions for service credit, service retirement, benefit amounts, and annual increases in order to bring the affected Division back within a 30-year amortization period within one year of implementing the adjustments.

Under the bill, the Board and the General Assembly are prohibited from increasing member and employer contributions, Amortization Equalization Distribution (AED), or Supplemental Amortization Equalization Distribution (SAED) amounts above the rates allowed by law as of December 31, 2011.

This bill was postponed indefinitely.

PERA's Position: The PERA Board voted to oppose Senate Bill 12-119.

House Bill 12-1142: New PERA Employee Defined Contribution Plan Choice

Sponsor: Rep. Brian DelGrosso (Loveland)

The bill would expand to all members the option currently available to certain State Division employees to participate in the PERA DC plan in lieu of the PERA defined benefit plan.

PERA's Position: The PERA Board voted to oppose House Bill 12-1142.



Continued on next page

Legislative Update (continued)

House Bill 12-1150: PERA Seven Year Highest Average Salary Calculation

Sponsors: Rep. Kevin Priola (Henderson) and Sen. Kent Lambert (Colorado Springs)

This bill would change the HAS calculation from three years to seven years for members who are eligible for a full or reduced service retirement on or after January 1, 2013.

PERA's Position: The PERA Board voted to oppose House Bill 12-1150.

House Bill 12-1179: Composition of PERA Board

Sponsor: Rep. Jim Kerr (Littleton)

This bill would replace four of the elected positions on the PERA Board of Trustees with four Governor-appointed Trustees approved by the Senate. The new appointees would join the Board as the terms of elected Trustees expire. When fully implemented, seven Trustees would be elected by PERA members/benefit recipients and seven Trustees would be Governor appointees. The State Treasurer would remain on the Board as a voting member and a non-voting member or retiree from the Denver Public Schools (DPS) Division would remain on the Board.

The bill also provides that in both the State and the School Divisions, at least one of the two Trustees elected from each Division after January 1, 2013, be 15 or more years from retirement eligibility on the date the Trustee begins serving his or her first term on the Board.

PERA's Position: The PERA Board voted to oppose House Bill 12-1179.

House Bill 12-1245: Health Care Options Government Employees

Sponsor: Rep. Rhonda Fields (Aurora)

The bill would establish a 13-member task force to study how the combined buying power of State and local governments might be leveraged for the purchase of employee health care benefits and other issues. The task force would also look at ways to control costs while improving outcomes and would meet after the legislative session ends. Recommendations would be reported to the Legislature by December 15, 2012. A representative from PERA would be one of the 13 members.

PERA's Position: The PERA Board has not taken a position on this bill.

House Bill 12-1250: PERA Health Care Trust Fund Employer Contributions

Sponsors: Rep. Chris Holbert (Parker) and Sen. Ted Harvey (Highlands Ranch)

This bill would eliminate the premium subsidy for PERACare participants age 65 and over, beginning January 1, 2013. This proposed legislation would impact approximately 37,000 retirees who receive a subsidy. Eliminating the subsidy would result in a premium increase of up to \$115 each month for these Medicare-eligible retirees. The premium subsidy for PERACare enrollees who are under age 65 and not enrolled in Medicare would continue at its current rate, up to a maximum of \$230 per month.

A provision of this bill would make beneficiaries and their dependents who are eligible for Medicare coverage ineligible to participate in PERACare. The 42,000 retirees and their dependents who would be affected by this proposal will have to try to find health care insurance on their own at substantially increased costs since PERA has the ability to secure attractive group rates for a large retiree population.

Another provision of the bill would affect PERACare participants who do not qualify for Medicare Part A coverage. Currently, the law provides that PERACare participants who do not qualify for Medicare Part A coverage pay the same PERACare plan premiums as those who do have Part A coverage. HB 12-1250 would remove this provision and result in significant premium increases for affected retirees (although Denver Public Schools [DPS] benefit structure retirees without Medicare Part A coverage would not be affected). Retirees over the age of 65 who do not qualify for Medicare Part A would also be subject to penalties for not enrolling in Part A when they turned 65.

Going forward, the PERA and DPS Health Care Trust Funds would be funded on a pay-as-you-go basis, rather than being pre-funded.

This bill was postponed indefinitely at the request of the sponsor.

PERA's Position: The PERA Board voted to oppose HB 12-1250. 

Sign Up for Legislative Alerts

Consider signing up to receive legislative alerts from Colorado PERA. By receiving these e-mail alerts, you'll stay informed on legislative proposals that impact PERA and receive information on how you can contact your legislators to share your opinions on these issues.

To sign up for legislative alerts, visit www.copera.org and click on the "Legislation" link, then select "Register for PERA Alerts."

Colorado PERA Board of Trustees Retains Current Investment Rate of Return

On November 18, 2011, the PERA Board of Trustees voted to keep the plan's expected rate of return for the next 30 years at 8.0 percent. The Board reviews the rate of return assumption on an annual basis. The following are some frequently asked questions about the expected rate of return.

What is the assumed rate of return?

The assumed rate of return is used by retirement funds to estimate what their unique set of investments will return over a long time horizon. The rate of return assumption has various components, or building blocks, including what inflation will be in the future and what income PERA's investment portfolio will generate over time.

How is the rate of return used and why is it important?

The rate of return is used as a predictor of the amount of money an investment portfolio will generate over time. It is known as the "asset side" of retirement funding. Sixty percent of the money in PERA's trust funds comes from investing retirement contributions from public employees and their employers.

The other side of the equation represents the liabilities—or the total cost of providing earned retirement benefits. When the two numbers, assets and liabilities, are compared, the result is the funded status, reported as a percentage.

Legislation enacted in 2010 reduced the costs of PERA benefits (liabilities), and PERA is projected to be fully funded in 30 years if the rate of return and other assumptions are met.

What happens when the rate of return is lowered or increased?

Because the rate of return is used to calculate the assumed asset growth over time, if the rate is lowered, the funded status of the plan decreases and liabilities will take longer to pay off. Conversely, if the rate of return is increased, the funded status of the plan improves and the length of time to pay off liabilities is shortened.

PERA has been a leader in the reporting of the impact of various investment rates of return. In the PERA *Comprehensive Annual Financial Report (CAFR)*, the impact or "sensitivity" of changing the rate of return is calculated for a 1.5 percent increase or decrease (in 0.5 percent increments). You may view the *CAFR* on PERA's Web site.

Why do some question PERA's assumed rate of return?

Concern about the rate of return sometimes arises when individuals compare their investments to PERA's. Differences between the two types of investors—individuals and institutions—must be taken into account.

- First, as an institutional investor, PERA has many decades to invest the contributions from members and their employers. Individual investors typically have a much shorter time horizon.

- Second, institutional investors like PERA have access to types of investments (such as private equity and real estate) that individual investors cannot access in the retail mutual fund market. (PERA does not invest in mutual funds.)
- Third, by pooling its tens of billions of dollars of investments, PERA can invest at a much lower cost than individuals.
- Finally, PERA's investments are tax exempt.

In short, this ability to pool contributions and to invest in a wide variety of assets with low management and administration fees allows institutional investors like PERA to outperform individual investors over time.

How does the PERA Board determine the rate of return?

The Trustees set the rate of return assumption based on information provided by nationally recognized actuarial and financial experts, who review financial markets and other demographic factors.

At a day-long workshop in November, Trustees heard from their investment consultant, Hewitt EnnisKnupp, and their actuarial firm, Cavanaugh Macdonald Consulting. Hewitt EnnisKnupp recommended a 7.7 percent expected return for the next 10 years, while Cavanaugh Macdonald recommended an 8 percent investment rate of return over the next 30 years.

Hewitt EnnisKnupp, Inc., an Aon company, provides investment consulting services to over 500 clients in the United States and abroad with total client assets of over \$2 trillion. Cavanaugh Macdonald serves as the actuary and health care consultant for statewide and municipal retirement systems and retiree health care plans across the nation.


How often is the investment rate of return assumption reviewed and has it been changed in the past?

The Board of Trustees reviews the rate of return assumption every November. The Board lowered the rate from 8.5 percent to 8.0 percent in 2009. The rate has varied over time between 7.5 and 8.75 percent.

National Association of State Retirement Administrators (NASRA) research shows that most public retirement systems use an 8.0 percent investment rate of return assumption.

What is PERA's investment return history?

PERA earned a 14 percent return on investments in 2010. In 2009, PERA's investments earned 17 percent. In 2008, PERA's investments lost 26 percent. Through 2010, PERA's annual investment returns averaged 9.0 percent over 25 years.


PERA will know the investment return for 2011 in late spring/early summer when audited financial results are available. 

PERA Life Insurance Program

Open Enrollment April 1–May 31, 2012

PERA offers members a voluntary group decreasing-term life insurance plan administered by Unum. During the upcoming annual open enrollment period, members have the chance to purchase this insurance without evidence of insurability (evidence of good health). Members can purchase 1, 2, 3, or 4 units of this insurance.

If you are not already enrolled for the maximum of 4 units, Unum will mail you an enrollment kit in March. You may enroll online if you have a PERA PIN/User ID and password. You may also enroll by completing and returning the paper enrollment forms to Unum by May 31, 2012.

If you do not enroll during an annual open enrollment period, you may apply for coverage at any time while you're an active PERA member, but evidence of insurability will be required. If you have any questions about the life insurance program, you may call Unum toll-free at 1-866-277-1649. 

Five Benefits of PERA's Life Insurance Program

- 1. Includes Accidental Death and Dismemberment benefits in your coverage.*
- 2. Provides coverage for spouses and dependent children at no additional charge.*
- 3. Allows coverage to continue into retirement or after leaving PERA-covered employment.*
- 4. Includes life planning financial and legal resources with your coverage.*
- 5. Allows premiums to be paid through payroll deductions or automatic deductions from a bank account.*

Your Vote Counts

PERA Board Election in May




In May 2012, Colorado PERA will hold an election for seats on the Board of Trustees for the following positions:

- One State Division position
- One School Division position
- One Denver Public Schools (DPS) Division position

This is the first time an election will be held for the DPS Division position. Previously, the DPS seat has been appointed. This non-voting position may be filled by either a member or a retiree.

The Board of Trustees meets at least five times per year and is responsible for adopting the rules and policies for the administration of PERA. Elected Board members serve without pay, but are reimbursed for necessary expenses.

Terms will expire on June 30, 2012, for Richard Delk from the State Division; Amy Nichols from the School Division; and Wayne Eckerling from the DPS Division. All positions are for four-year terms. 

Election Timeline

- May 1–7: Ballots mailed to PERA members in the State and School Divisions and members and retirees in the DPS Division*
- May 31: Deadline for ballots to be postmarked*
- June 26: Presentation of election results to Board for approval*

Account Access Change Reminder

On December 1, 2011, PERA changed the way members access their online account information.

Previously, members logged on using both their Social Security number (SSN) and PERA Personal Identification Number (PIN). Now, the first time you log on to your PERA account, you will be prompted to create a new user security profile that includes your User ID and password. This combination of User ID and password replaces the use of the SSN and PIN to access account information on the PERA Web site.

Members will complete the following when they log on to personal accounts:

- Enter your SSN in the box for the User ID if you have not yet created a User ID. After selecting "Continue," you will enter your four-digit PIN.
- Create a User ID and password to access PERA account information on the secured pages of PERA's Web site.
- Provide an e-mail address so PERA can communicate any updates to your user security profile.
- Select an image and security phrase that will appear each time you log on to the secure site. You will choose your security image from the collection of images provided and create a security phrase that may be any phrase or word you choose. The security image and phrase are quick indicators to ensure that you are logging in to Colorado PERA's Web site.
- Provide answers to three security questions that will be used to authenticate you if you forget your User ID and/or password. You will notice three drop-down menus each containing a list of predetermined questions. Select a question from each drop-down menu and provide an answer in the space directly below each question. Keep your answers as simple as possible so you will remember how to respond if you forget your User ID or password in the future.

Once you have completed these steps, you will no longer be able to use your SSN and PIN to log on to the secured pages of PERA's Web site—you will need to log on using your User ID and password combination. Once you have entered a valid User ID, you will see your selected security image, security phrase, and be prompted for your password.

If you forget your User ID

You will need to answer your three security questions you previously selected. If you answer the questions correctly, your User ID will be populated on the log-on screen.

If you forget your password


You will need to answer a personal demographic question in addition to your three security questions you previously selected—all of these questions will be generated online. Once you are verified, you will be allowed to change your password immediately and PERA will send a confirmation e-mail to the e-mail address on file.

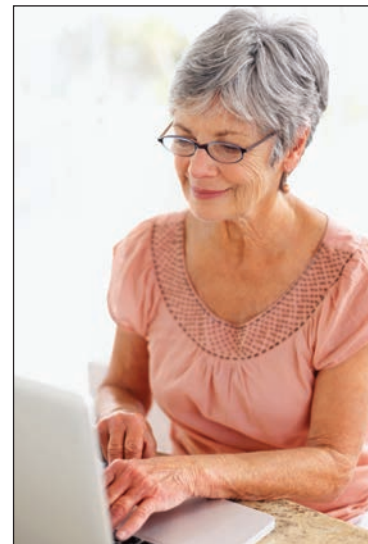
If you currently do not have a PERA PIN

You will still need to request a PERA PIN in order to set up your User ID and password. To request a PIN, call PERA's Customer Service Center or visit the online PIN request page.

Please keep in mind, after five consecutive unsuccessful log-on attempts, your PIN will automatically lock. If your PIN locks, you will have the following options after being verified when you call PERA's Customer Service Center:

- Issue a new PIN (this will clear your current security profile and you will need to create a new profile).
- Reinstate/reactivate current PIN.
- Receive current PIN in the mail (this will take 7 to 10 business days).

If you are a participant in the PERAPlus 401(k) and 457 Plans or the PERA DC Plan, you need to retain your PERA PIN when calling ING to obtain any PERAPlus or PERA DC Plan information, even to speak with an ING Participant Services Representative. 



A secured log on tutorial video is available on PERA's Web site if you would like a step-by-step guide to creating a user profile. Click on the "View the Secured Log On Tutorial" link in the Member/Retiree Account Access box on PERA's home page at www.copera.org.

Prepare for Your PERA Retirement

Now is the time to finalize the details of your retirement from the PERA defined benefit plan if you are planning to retire this summer.

Retirement Benefits

- Request a benefit estimate from PERA (see section on Benefit Estimates).
- Notify your employer of your retirement date and review your employer's retirement procedures.
- Request a *PERA Retirement Application Kit* (from the PERA Web site or by calling the PERA Customer Service Center), review the information thoroughly, complete all necessary forms, and file them with PERA.
- Pay off any outstanding service credit purchases well before your retirement date.
- Attend a PERA Retirement Process Meeting (see schedule on the PERA Web site).

Health Care

- Review your options for health care coverage available after retirement and consider costs and your needs.
- Attend a PERACare Information Meeting (see schedule on the PERA Web site).
- Complete a *PERACare Enrollment/Change Form* if you decide to enroll in the PERACare Health Benefits Program at retirement. You will need to submit the form with your *Retirement Application* or no later than 30 days after the date of your first benefit payment. You can coordinate the start of your PERACare coverage with the end of your employer's coverage.
- You may decide that other coverage better meets your needs (COBRA or your spouse's employer plan). If so, you can delay enrolling in PERACare until a future open enrollment or a loss of coverage situation.

Life Insurance

- Review your options for life insurance coverage after retirement and consider costs and your needs.
- If you are currently enrolled in PERA life insurance, it will continue after you retire unless you cancel it. Consider adding units if you are not enrolled for the maximum four units. Premiums will be deducted from your PERA benefit.
- If you are not currently enrolled in PERA life insurance, decide if you should enroll during the open enrollment period (April 1 through May 31) prior to retirement, especially if you will be losing life insurance that you currently have with your employer when you retire.

PERAPlus 401(k)/457 Plans

- Review your options if you have a PERAPlus 401(k)/457 Plan:
 - Leave your account with PERA where it will remain tax-deferred. You may continue to authorize transfers between investment funds.
 - Leave your PERAPlus 401(k) account with PERA and if you work for a Colorado PERA employer after retirement, you can continue to make contributions.
 - Leave your PERAPlus 457 account with PERA and if you work for a Colorado PERA employer that participates in the PERAPlus 457 Plan, you can continue to make contributions.
 - Request a monthly payment of a set dollar amount to supplement your PERA retirement benefit.
 - Roll over the entire account to an IRA or other tax-deferred plan.
 - Request a combination of both a payment to you and a direct rollover.
 - Request a distribution of the entire account as payment to you.
- To distribute all or part of your PERAPlus 401(k)/457 balance, or to roll over the balance to another plan, log onto your PERAPlus 401(k)/457 account and request a withdrawal or you can call 1-800-759-7372, select the PERAPlus option, and speak to a Participant Service Representative. Requests for monthly payments cannot be done online and must be done by speaking with a Participant Service Representative. Participants should consider the tax implications of withdrawing their accounts (if under age 59½) and the fee structures of different qualified plans before taking a distribution or rolling over their PERAPlus 401(k)/457 Plan accounts.
- If you have a PERAPlus 401(k)/457 Plan loan with payments set up through automatic clearing house (ACH), payments will continue to be withdrawn from your checking or savings account. If your loan payments are set up as payroll deductions, the loan must be paid off at termination of PERA-covered employment.

- Keep in mind, except for certain limited situations, as a PERAPlus 401(k) Plan participant you must wait until after age 59½ to withdraw all or part of your account or you will have to pay a 10 percent early withdrawal penalty to the IRS when you file your income tax return. (If you are a PERAPlus 457 Plan participant you can withdraw all or part of your account balance before age 59½ without penalty.)
- Remember that you must begin to withdraw from your PERAPlus 401(k)/457 accounts by April 1 following the year in which you reach age 70½ if you are retired or working after retirement, or you will pay taxes and a penalty.



Medicare

- If you will be age 65 or older when you retire, contact Social Security now regarding your Medicare eligibility and enrollment. You will need to enroll in Medicare before you retire if you are not already enrolled.
- Keep in mind that once you are eligible for Medicare, you must be enrolled in Medicare Part B (medical insurance) to receive coverage in PERACare. You are not required to have Medicare Part A (hospital insurance) coverage; all PERACare plans provide replacement Part A coverage. Also, Part D coverage is included in PERACare plans, so you should not purchase a Part D plan outside of PERACare.


Note About PERACare Premiums and Retirement

If you decide to enroll in PERACare, your monthly premiums will be deducted from your PERA retirement benefit each month. You don't have to worry about writing checks or setting up payment arrangements; premiums will automatically be taken from your benefit and paid to your PERACare plan(s) by PERA.

This premium deduction works well once your retirement is set up, but you need to be aware of some timing issues when you start PERACare coverage at retirement. For example, if your retirement effective date is July 1, your first benefit will be paid on July 31. PERA will take two months' premiums from your July 31 benefit, since both July 1 and August 1 premiums will be due by that time. Beginning with your second month's benefit payment, you will see a one-month deduction from each payment.


Benefit Estimates

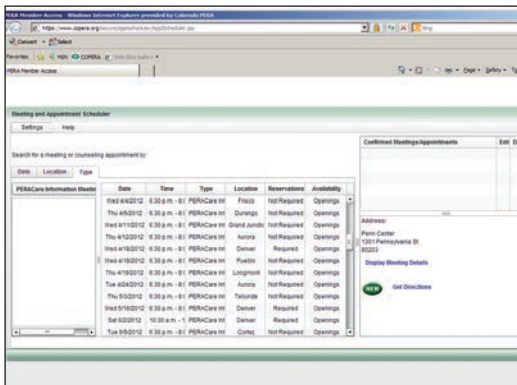
- Request a benefit estimate from PERA by calling PERA at 1-800-759-7372 or use the secure online correspondence system through the "Contact Us" link on the PERA home page.
- If you are using the secure online correspondence system and you need an estimate for a retirement option that provides ongoing monthly benefit payments to a cobeneficiary following your death, be sure to include your cobeneficiary's date of birth.
- Inform PERA of your last day on the job, your anticipated retirement date, and any salary adjustments or extra salary payments you may receive at retirement. The more complete the information you provide to PERA, the more accurate your benefit estimate can be.
- Receive your benefit estimate at your address on record at PERA; estimates are not given over the telephone or sent via e-mail to protect the confidentiality of your information.

If you have a PERA PIN/User ID and password, you may log on to the secured pages of PERA's Web site and estimate your monthly retirement benefit online using the Monthly Retirement Benefit calculator. 

Schedule of PERA Meetings Online

Colorado PERA benefits can be complex. If you want to learn more about your retirement benefits or any of PERA's programs, plan to attend a PERA meeting near you.

The complete schedule of PERA meetings is available through the "Meeting and Appointment Scheduler" on the PERA Web site. You may search for meetings in your area without having a PERA PIN/ User ID. You can also make a reservation (required for some meetings and some locations) using the scheduler if you have a PERA PIN/ User ID. 




Members can use the online "Meeting and Appointment Scheduler" for information on upcoming PERA meetings.

Health Care in Retirement

One of your biggest and most important decisions as you plan for retirement will likely be health care. Members who are near retirement and researching health care options should consider attending a PERACare Information (PCI) meeting. By attending a PCI meeting, you will learn about the PERACare Health Benefits Program including eligibility, pre-Medicare and Medicare plan choices, prescription benefits, and other related topics.



These 90-minute meetings are conducted by PERA's Field Education Representatives and offer members an excellent opportunity to find out more about health care options available in retirement. 

Upcoming PERACare Information (PCI) Meetings

Colorado PERA will conduct PCI meetings this spring in the cities listed below. Please go to the "Meeting and Appointment Scheduler" on the Colorado PERA Web site for more details.

March

Alamosa—March 7
 Cañon City—March 7
 Castle Rock—March 13
 Colorado Springs (North)—March 29
 Colorado Springs (South)—March 14
 Craig—March 28
 Fort Collins—March 20
 Fort Morgan—March 7
 Golden—March 21
 Greeley—March 29
 Lakewood—March 8
 Loveland—March 22
 Montrose—March 22
 Trinidad—March 27
 Wheat Ridge—March 8

April

Aurora (North)—April 12
 Aurora (South)—April 24
 Denver—April 18
 Durango—April 5
 Frisco—April 4
 Grand Junction—April 11
 Longmont—April 19
 Pueblo—April 18

May

Denver—May 16
 Telluride—May 3

Seven Reasons to Leave Your Account With PERA

If you terminate PERA-covered employment, you have the option to leave your member account with Colorado PERA. Leaving your account at PERA allows you to retain the benefits associated with your former membership when you retire or if you return to PERA-covered employment.

Here are seven reasons why leaving your account at PERA is a good idea:

1. You will preserve income earmarked for your retirement.
2. You may choose to receive a lifetime benefit or refund your account when you are retirement eligible. You will be eligible for a 100 percent match on contributions and interest if you wait to refund your account at that time. (No match will be paid on amounts used to purchase service credit.)
3. Your account will continue to earn interest. The interest rate is set by the PERA Board of Trustees and is subject to change annually. Currently, the interest rate is 3 percent compounded annually.
4. You will keep the service credit earned while you were employed and if you return to PERA-covered employment under the same benefit structure (PERA or Denver Public Schools [DPS]) your account will pick up where it left off.
5. You may enroll in the PERACare Health Benefits Program if you choose to receive a monthly benefit in the future.
6. You may continue coverage in the PERA Life Insurance Program if you were enrolled when you left PERA-covered employment.
7. If you die while an inactive PERA member, your spouse or named beneficiary may be eligible to receive a monthly survivor benefit or a lump-sum payment of your account balance. In addition, if you were under the PERA benefit structure, if the recipient receives a lump-sum payment, he or she will also receive a 100 percent match on your contributions and interest. If you were under the DPS benefit structure, no match is included.

If you choose to refund your account, rather than leaving your account with PERA, you sever all ties with PERA and forfeit any benefit rights you may have accrued during membership. You may also be subject to state and federal taxes on your refunded amount as well as an IRS early withdrawal penalty if you are under age 59½. Finally, you will lose an important source of retirement income and you will




not have access to PERACare in retirement. If you return to PERA membership you will be subject to the defined benefit membership provisions in effect at the time you return to membership.

Leaving an Account with PERA vs. Refunding: A \$34,000 Example

Jim is a Colorado PERA member in the PERA benefit structure who earned five years of service credit before terminating employment at age 30. At the time of termination, Jim had an account balance of \$14,555 (member contributions and interest compounded annually for five years). If Jim decides to refund his account, he will receive a 50 percent match of his account balance because he has five years of service and is not retirement eligible. Therefore, his total refund will be \$21,833, before any taxes or early withdrawal penalties.

Jim can also choose to leave his member account with PERA until he decides to retire and receive a lifetime benefit. Under the PERA benefit structure, Jim is eligible to retire at age 60. If Jim elects to take an Option 1 benefit at age 60, his benefit amount will be \$467 per month. If Jim receives a benefit for 10 years (\$56,040 total), he will receive \$34,207 more in retirement benefits than his refund amount of \$21,833.

Based on applicable law, Jim may also be eligible for annual increases to his retirement benefit, thus further increasing the potential total benefit amount. 

PERA and Social Security

PERA members who are counting on a future Social Security benefit to supplement their PERA benefit might be surprised to learn that their expected Social Security benefits may be reduced because of their PERA membership. PERA benefits are never reduced when the PERA retiree is also receiving a Social Security benefit.

Social Security has two reductions that apply to Social Security benefits received by PERA retirees—the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO).

Listed below are answers to some questions we hear about PERA and Social Security.

Q. Isn't Social Security a retirement plan?

A. Social Security is a mandated “supplemental” retirement system established in 1935 that includes disability and survivor benefits. Even though many people think of Social Security as a retirement plan, it was never intended to be a person’s sole source of income in retirement. According to Social Security, when people retire, Social Security replaces about 40 percent of an average wage earner’s income after retirement. Most financial advisers say retirees need about 70 percent or more of pre-retirement earnings for a more comfortable retirement.

Q. Why does the WEP and GPO target public employees?

A. According to Social Security, the WEP and GPO provisions are intended to prevent public employees from unfairly receiving benefits from both a government pension plan and Social Security.

The WEP applies to PERA retirees who also receive a Social Security earned benefit. A Social Security earned benefit is paid to a worker who earned enough credits under Social Security-covered employment to qualify for a benefit.

Congress passed WEP to eliminate the advantage that certain workers not covered by Social Security had prior to 1983 that allowed them to receive a higher percentage of Social Security benefits in addition to their other pension.

The GPO applies to PERA retirees who also receive a Social Security spousal or widow(er) benefit. The GPO reduces the Social Security benefit by two-thirds of the PERA benefit and may completely eliminate the Social Security benefit.

Since the GPO is based on your PERA benefit amount, you must advise Social Security whenever your PERA benefit changes if you receive a spousal or widow(er) benefit from Social Security.

If your spouse receives a Social Security benefit and dies before you, you will want to have Social Security recalculate the spousal or widow(er) benefit since the amount you are eligible to receive (prior to the GPO reduction) may increase.

WINDFALL ELIMINATION PROVISION	GOVERNMENT PENSION OFFSET
<ul style="list-style-type: none"> Affects PERA members who lack sufficient Social Security credits to avoid the WEP provision. 	<ul style="list-style-type: none"> Affects a PERA member who also receives a Social Security spousal or widow(er) benefit.
<ul style="list-style-type: none"> Does not apply to members who qualified for a PERA retirement benefit before 1986. 	<ul style="list-style-type: none"> Does not apply to PERA members who started receiving a spousal Social Security benefit prior to July 1, 1983.
<ul style="list-style-type: none"> Reduces the earned Social Security benefit payable by using a formula that is based on earnings and payroll tax contributions to the Social Security system. 	<ul style="list-style-type: none"> Reduces the spousal Social Security benefit by two-thirds of the earned PERA benefit—in some cases it may completely eliminate the Social Security benefit.
<ul style="list-style-type: none"> No WEP reduction if there are 30 or more years of “substantial” Social Security earnings; the reduction is lower if there are 21 to 29 years of substantial earnings. 	<ul style="list-style-type: none"> Use the GPO Online Calculator to calculate your estimated Social Security spousal or widow(er) benefits—www.socialsecurity.gov/gpo-wep.
<ul style="list-style-type: none"> Use the WEP Online Calculator to estimate your Social Security benefit if you are affected by WEP—go to www.socialsecurity.gov/gpo-wep. 	

Q. Can PERA calculate my Social Security reduction?

A. Even though PERA staff members are knowledgeable about the general provisions of WEP and the GPO, there are some exceptions to the WEP and GPO provisions and the reduction calculations are complex. It is always advisable to contact the Social Security Administration for detailed information about your situation because they have access to your and a spouse's or ex-spouse's Social Security records. Social Security determines the reduction to an individual's Social Security benefit, so it is important that you direct questions to Social Security and not PERA. You may also use the WEP and GPO calculators on Social Security's Web site (www.ssa.gov) for a general idea about how your benefits under Social Security may be impacted.



Q. Will my Social Security benefit be reduced if I refund my PERA account?


A. It is PERA's understanding that if you are eligible for a Social Security benefit now or in the future, your benefit with Social Security may be reduced as a result of receiving a PERA benefit or refunding your PERA account.

Q. If I'm not eligible for Social Security, will I be ineligible for Medicare?

A. Even though you may not have earned a Social Security benefit you may qualify for Medicare Part A (hospitalization coverage) at age 65 if you are or were married to someone who earned a Social Security benefit. You will be eligible for Medicare Part B when you turn age 65 even if you worked in a job not covered by Social Security. Every U.S. resident is eligible to enroll in Medicare Part B, and everyone pays a monthly premium for Part B.

In addition, all of the Medicare plans in the PERACare Health Benefits Program include inpatient hospitalization coverage for retirees and dependents who do not qualify for Medicare Part A.

For More Information

- Read the *PERA & Social Security* brochure; download the PDF file or order the brochure online at www.copera.org.
- Call Social Security at 1-800-772-1213 or TTY for the deaf and hard-of-hearing at 1-800-325-0778.
- Use the online WEP and GPO calculators available on the Social Security Web site at www.ssa.gov.
- Review the Social Security pamphlets #05-10007, *Government Pension Offset*, and #05-10045, *Windfall Elimination Provision*. 

The WEP applies to your earned Social Security benefit if you paid into both Social Security and PERA. This is a formula Social Security uses to reduce the Social Security benefit payable to you based on your earnings and payroll tax contributions to the Social Security system. The WEP does not apply if you qualified for retirement prior to 1986.

The GPO applies to PERA retirees who also receive a Social Security spousal or widow(er) benefit and it reduces the spousal Social Security benefit by two-thirds of the PERA benefit. In some cases, it eliminates the spousal Social Security benefit entirely. The GPO reduction does not apply if you qualified for retirement prior to June 30, 1983.

PERAPlus Program: Options for All Types of Investors

The PERAPlus 401(k) and 457 Plans have options for the novice investor, the savvy financial expert, and everyone in between. Whether you are comfortable making your own investment decisions or you are unsure how to invest, the PERAPlus Plans feature different investment choices to help you meet your future financial goals.

If you feel you don't have the time and knowledge to make future investment decisions or aren't sure when it's appropriate to reallocate your investments as life circumstances change, consider these options:

- ***Choose a PERAdvantage Target Retirement Date Fund***

You can make one investment decision by choosing one PERAdvantage fund based on your expected retirement date. This Target Retirement Date fund is designed to automatically grow more conservative as you reach your retirement date.

- ***Professional Account Management***

For an additional fee, ING's Professional Account Management program can provide a personalized savings and investment plan, implement your plan, monitor your plan, and make ongoing changes to keep you on track.

If you have the time and knowledge to direct your investment options and want to be responsible for reallocating investments as life circumstances change, consider these options:

- ***Choose a Mix of Primary PERAdvantage Investments***


You can choose what percentage of your contributions are invested in each of the primary PERAdvantage investment funds. Each primary fund represents a specific asset class and is diversified by management strategy, investment style, and asset style within that asset class using a selection of underlying investments.



- ***Personal Online Advisor***

The Personal Online Advisor is an easy-to-use, interactive investment advice tool that helps you decide how to invest your money in the Plans and is offered free of charge. The Personal Online Advisor examines your complete investment picture and makes suggestions on selecting appropriate Plan investments. You even get an estimate of how much income you may have in retirement, based on the information you input.

If you are a seasoned investor with advanced knowledge of investment options and seek additional choices beyond the primary funds, you may use a Self-Directed Brokerage Account (SDBA). The SDBA allows you to select from thousands of publicly traded funds in addition to the PERAdvantage primary investment options. The SDBA is offered through TD Ameritrade. You will be subject to additional transaction and management fees for your activities and investments in the Brokerage Account.

More information, including investment options and how to enroll, is available by accessing the Plans' Web sites through www.copera.org. 

The PERAPlus Plans also allow you to invest in a balanced fund that screens for various social causes.

When States Abandon Defined Benefit Plans

Lessons Learned From Two States


As states face challenging budget deficits with increasing expenses and declining revenues, many are taking another look at how they fund their public employee retirement plans. Over the past few years, many states enacted significant changes, ranging from increasing employee and employer contribution rates to reducing or eliminating cost-of-living adjustments for retirees.



In the last two years, Alaska and Nevada have both considered significant changes to their public employee retirement plans. A look at these changes reveals that they have drastic impacts to the stability of the funds and the benefits they could provide their employees:

- Nevada considered the impact of moving from a defined benefit (DB) to a defined contribution (DC) plan. A report by The Segal Group, a benefits, compensation, investment, and human resources consultant, shows that if Nevada were to place all new employees in a DC plan, the unfunded liability of the DB plan would increase significantly. Employees who remained in the DB plan would see their retirement contributions increase by 10 percent of payroll or more. Ultimately, Nevada did not move forward with these changes; new employees continue to participate in the state's DB plan.
- Alaska moved its new state employees into a DC plan as a result of 2006 legislation. The move did not resolve the unfunded liability for the existing retirement plan system. In fact, since 2006, the unfunded liability of the DB plan has grown from \$5.7 billion to an estimated \$11 billion. Many in

Alaska feel the switch has had dire consequences for employees and for the state. Legislation introduced in 2011 that will be brought back for consideration in 2012, proposes to return all employees to a DB system. According to the legislation's sponsor, Senator Dennis Egan, "the defined benefit system provides the public a better bang for the buck they put into the public servant's retirement system."

The experiences of Nevada and Alaska demonstrate that there is not an easy fix to resolving unfunded liabilities for retirement plans. Finding short-term savings today may lead to higher costs down the road for both employees and for states. It is critical that as state legislatures actively debate how to fund retirement plans they take a long-term view instead of looking for a quick fix to their fiscal challenges. 

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

- Retirement benefit is dependent on the amount in the account 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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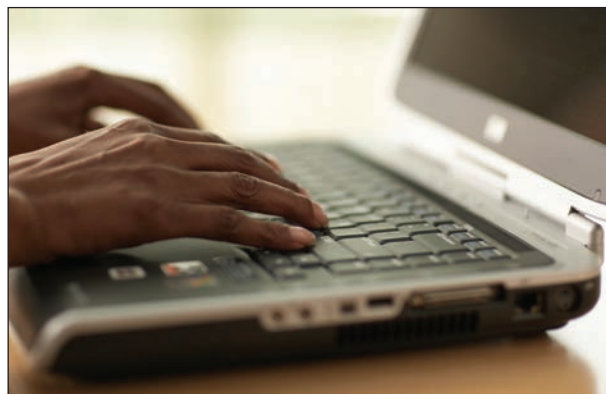
www.copera.org

Annual Increase Considerations for Reduced Service Retirements

Members who were not eligible to retire as of January 1, 2011, and who retire under a reduced service retirement after January 1, 2011, must meet additional requirements to be eligible to receive an annual increase.

On January 1 of the year in which the annual increase will be paid, you must either reach age 60 or the age and service requirements for a full service retirement that apply to your membership plan. (Your service credit does not change after retirement, but your age does.)

Retirement eligibility charts (Highest Average Salary [HAS] Percentage tables) for members under both the PERA and Denver Public Schools (DPS) benefit structures can be found in the *Your PERA Benefits* booklet or on the PERA Web site. Please note: A reduced service retirement is one with the HAS percentage in the shaded area of the chart. 



Sign Up for Electronic Delivery

Receive your PERA news and information faster than if we mailed it to you, plus you'll help PERA reduce printing and mailing costs (and conserve paper).

- Go to www.copera.org and log in using your PERA PIN/ User ID and password.
- Select "Electronic Delivery" from the Online Services drop-down menu and follow the prompts as indicated. 