



Colorado Public Employees' Retirement Association
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March 1, 2010

Dear PERA Benefit Recipient:

This letter is to inform you of important changes to the amount of your annual increase.

Senate Bill 10-001, the legislative package to put Colorado PERA back on track to being fully funded, was signed by Governor Bill Ritter on February 23, 2010.

This successful legislation was the result of many thousands of hours of work since the fall of 2008 by PERA's Board of Trustees, staff, legislators, representatives of public employee and employer groups, and all the PERA members and retirees who participated in our public hearings, answered our surveys, or made their voices heard in other ways.

SB 10-001 was made necessary by the global financial crisis which prompted the worst U.S. economic downturn since the Great Depression. Due to the economic crisis in 2008, PERA's funding projections indicated that the PERA fund, including the DPS Division, was no longer sustainable. In fact, the projections indicated that PERA would run out of money within the next 30 years. This legislation rights the ship and returns the fund to long-term sustainability and ensures that PERA will be able to pay benefits in perpetuity.

The legislation includes the necessary provisions to ensure that PERA can provide retirement security not just for today's retirees, but also for those who may be just beginning their careers in public service or are yet to be hired. As SB 10-001 provides PERA long-term stability and sustainability, this solution requires a shared sacrifice from retirees, public employees, and public employers.

The legislation authorizing the merger of DPSRS and PERA granted PERA the authority to adjust the payment date of the increase for benefit recipients of the DPS benefit structure to coincide with the date that PERA pays annual increases. The PERA Board of Trustees, on November 20, 2009, adopted a policy to align the payment date of the annual increase for the DPSRS membership to the date the majority of PERA members receive their annual increase. In recognition of the fact that benefit recipients of the DPS benefit structure normally receive their annual increase in January as compared to the PERA payment date of March, the PERA Board also authorized awarding an increase of .5417 percent in January 2010. This amount signified two-twelfths of the 3.25 percent annual increase for the months of January and February. The awarding of this unique increase amount ensured that by moving the payment date of the annual increase to the date PERA pays its annual increase, benefit recipients of the DPS benefit structure were not negatively affected. Under SB 10-001 the payment of the annual increase has been moved from March to July.

A major component of SB 10-001 is the change to the amount of the annual increase to your benefit. The legislation provides that the amount of the annual increase applied to benefits in 2010 will be the lesser of 2 percent or the average of the CPI-W for the months in the 2009 calendar year. The CPI-W for this period actually was negative which means you will not receive an additional increase to your benefit in 2010. Beginning in 2011, the amount of your annual increase will be 2 percent per year unless PERA has a negative investment year, at which point the annual increase for the three years following that negative return will be the lesser of the average of the monthly CPI-W for the preceding calendar year or 2 percent.

With all that has happened in the past two years with the economy and the resulting changes to our pension fund, I am very pleased with where we are with the passage of SB 10-001. Our members' retirement security is no longer in question. I continue to believe that Colorado PERA is the best public retirement system in the country and I remain honored to serve you. I invite you to share your thoughts with me at Meredith@copera.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Meredith Williams'.

Meredith Williams
Colorado PERA Executive Director