

Internal Revenue Code Section 415(b) imposes a dollar limit on the benefit amount Colorado PERA can pay from tax-deferred trust funds.

Since Colorado PERA members may retire at a relatively early age with a high percentage of highest average salary (HAS), a few highly paid members may encounter this limit.

The 415(b) limit increases as the age at retirement increases. See the abbreviated table on the right for those retiring in 2009.

While 415(b) imposes a limit, Section 415(m) allows PERA to use a replacement benefit arrangement (RBA) to provide relief for a retiree who is subject to this 415(b) limit. PERA has adopted an RBA; a copy of the document is available from PERA upon request.

Prior to retirement, you may estimate whether your benefit may be affected by this 415(b) limit as follows:

1. Request a benefit estimate from PERA. Provide PERA with your best assumptions about your retirement date, salary until retirement, and other factors that have an impact on your benefit such as leave balances.
2. Compare the benefit amount for the Option you plan to select at retirement to the amount in the table on the right for your anticipated age at retirement.
3. If your estimated benefit is less than the amount shown in the table, you should not be subject to the 415(b) limit.
4. If your estimated benefit is more than amount shown in the table, you may be subject to the 415(b) limit.

If item 4 above applies to you, further analysis by PERA's actuary is required to determine if your actual benefit at retirement will be limited.

Given the cost of such actuarial analysis and the need to do the analysis with actual retirement information, PERA waits until it has received your *Retirement Application* before requesting that PERA's actuary do this analysis.

If PERA's actuary determines that your benefit exceeds the 415(b) limit at retirement, PERA will pay you directly the maximum amount permitted by the tax limit. PERA will then work with your employer to establish an RBA. If your employer agrees to participate in the RBA, PERA will pay your employer the difference between your benefit amount and the 415(b) limit; your employer then will pay you the difference. The 415(b) process considers cost-of-living increases after retirement without jeopardizing your benefit.

Before you decide to retire, make certain you have a current benefit estimate as well as the most current information about the RBA. You may direct your questions to PERA at 303-832-9550 or 1-800-759-7372. PERA also urges you to consult with your own tax adviser who is familiar with your particular financial facts and circumstances, including any plans other than PERA-sponsored plans in which you may have participated.

Abbreviated Table of Section 415 Limits for 2009

limit increases each month
a member ages up until
age 62

Age	Limit
50	\$87,913
51	93,530
52	99,583
53	106,109
54	113,154
55	120,766
56	128,991
57	137,876
58	147,499
59	157,936
60	169,274
61	181,601
62	195,000
63	195,000
64	195,000
65	195,000
66	195,000
67	195,000
68	195,000
69	195,000
70	195,000

An example of how the Replacement Benefit Arrangement works:

A Colorado PERA member retires and selects a single life benefit (Option 1). The initial PERA benefit amount, using the formula in state law (without applying any Section 415 limit) is \$8,000 per month (called the "unrestricted benefit") while the initial benefit, as limited by Section 415(b), is \$6,000 per month (called the "restricted benefit"). PERA will send a check to the retiree for \$6,000 each month. In addition, the contributions made to PERA by the retiree's former employer will be reduced using an adjustment to its PERA contributions by \$2,000 each month. The former employer then will pay the retiree the \$2,000 each month. The total paid to the retiree equals the unrestricted benefit based on the formula in state law, but is made in two payments—one from PERA and one from the former employer.

This fact sheet provides general information about the effect of Internal Revenue Code Section 415(b) limits on Colorado PERA benefits. Your rights, benefits, and obligations as a PERA member 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 fact sheet.