

Internal Revenue Code 415(b) Limits



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

Since PERA members may retire at a relatively early age with a high percentage of Highest Average Salary (HAS), a few highly paid members may exceed this limit.

The 415(b) limit increases as the age at retirement increases. See the abbreviated table below if you are retiring in 2026.

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

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

- » 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.
- » Compare the benefit amount for the option you plan to select at retirement to the amount in the table below for your anticipated age at retirement.
 - If your estimated benefit is **less** than the amount shown in the table, you should not exceed the 415(b) limit.
 - If your estimated benefit is **more** than the amount shown in the table, you may exceed the 415(b) limit. Further analysis is required to determine if your actual benefit at retirement will be limited.

Abbreviated Table of Section 415(b) Limits for 2026

Limit increases each month a member ages up until age 62.

Age	Limit
50	\$133,019
51	\$141,365
52	\$150,335
53	\$159,987
54	\$170,386
55	\$181,601
56	\$193,695
57	\$206,738
58	\$220,834
59	\$236,086
60	\$252,614
61	\$270,536
62 and over	\$290,000

Given the need to do the analysis with actual retirement information, PERA waits until it has received your *Retirement Application* and your final salary report before conducting this analysis.

If it is determined that your benefit exceeds the 415(b) limit at retirement, PERA will pay you 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 reduce the contributions made by your employer to PERA by the difference between your benefit amount and the 415(b) limit. Your employer will then 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 800-759-7372. PERA also urges you to consult with your own tax professional who is familiar with your particular financial situation, including any plans other than PERA-sponsored plans in which you may have participated.

If you are a judge returning to work after retirement under the Senior Judge Program, these additional payments will also be included in the analysis for the 415(b) limit each year.

An example of how the replacement benefit arrangement works:

A PERA member retires and selects a single-life benefit (Option 1). The initial PERA benefit amount, using the PERA formula (without applying any Section 415(b) limit) is \$10,000 per month (called the "unrestricted benefit"). The initial benefit, as limited by Section 415(b), is \$9,000 per month (called the "restricted benefit"). PERA will send a check to the retiree for \$9,000 each month. In addition, if the retiree's former employer adopts the RBA, the contributions made to PERA by the retiree's former employer will be reduced using an adjustment to its PERA contributions by \$1,000 each month. The former employer then will pay the retiree the \$1,000 each month. The total paid to the retiree equals the unrestricted benefit based on the PERA formula, but is made in two payments—one from PERA and one from the former employer.

Your PERA membership rights, benefits, and obligations are governed by Title 24, Article 51, of the Colorado Revised Statutes, PERA Rules, and other governing laws, which prevail over any interpretations in this fact sheet.

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