

LEADING | Lasting CHANGE | Security



Presentation to the Joint Finance Committee
Ron Baker, Executive Director
Amy C. McGarrity, Chief Investment Officer

PERA Provides Retirement Security

Colorado Public Employees' Retirement Association

Founded in **1931** to
address the unique retirement
needs of the public sector

PERA is a retirement plan that
serves as a **replacement**
for Social Security

Retirement Programs

Defined Benefit Plan

Stable benefit payments to
115,000 retired public employees

Defined Contribution Plan

Choice available to eligible
employees in certain Divisions

PERA Provides for 1 in 10 Coloradans

Contributions

580,000 members and
500 employers contribute
to PERA from each paycheck

Each year,
PERA pays
more than
\$4.4 billion to
retirees, 90% of
whom **live in
Colorado**

Investments

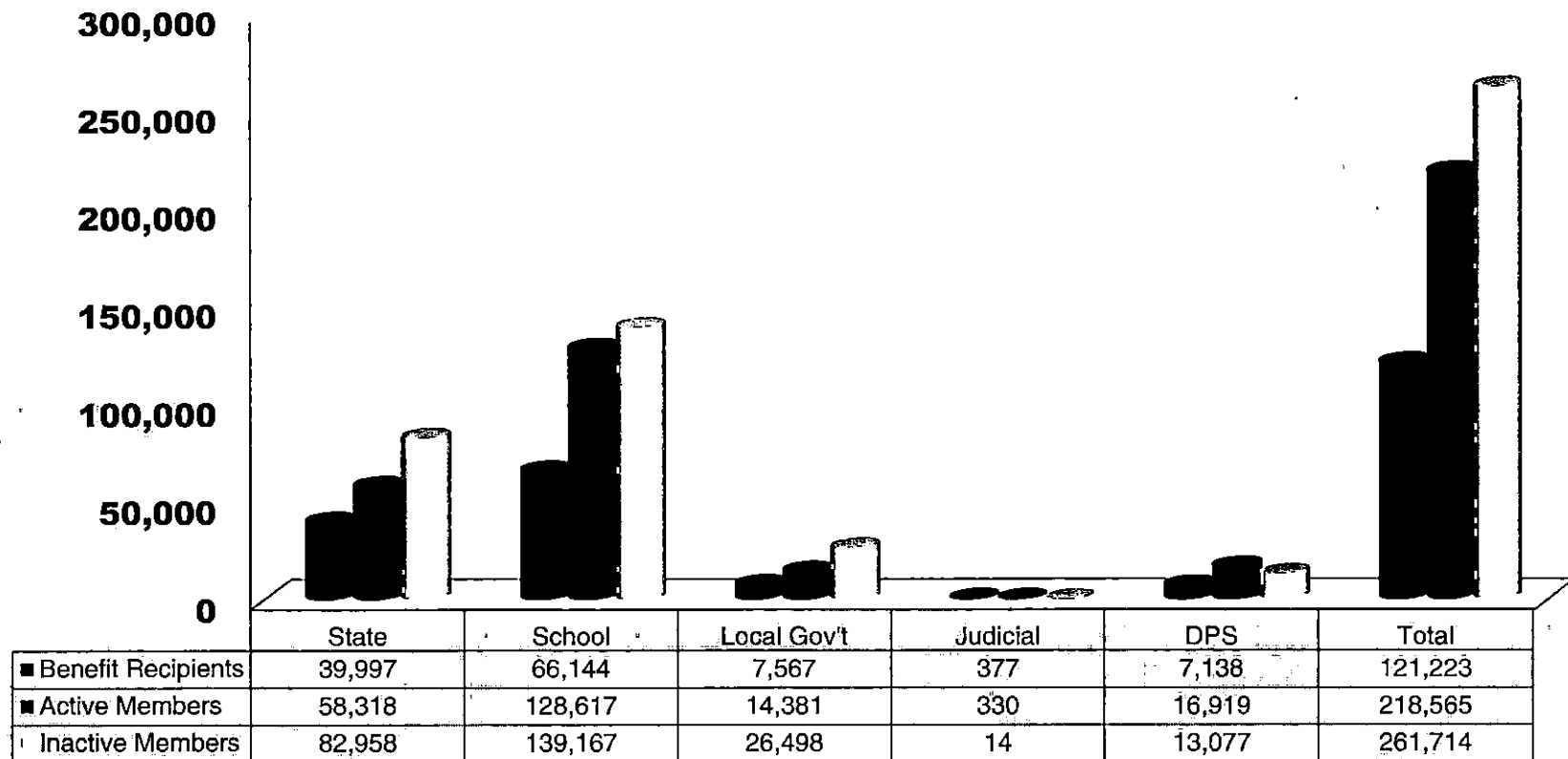
PERA invests the money and
leverages **economies of
scale** and **investment
expertise** to generate
returns

PERA
manages
**\$49
billion**

PERA Membership

September 30, 2018

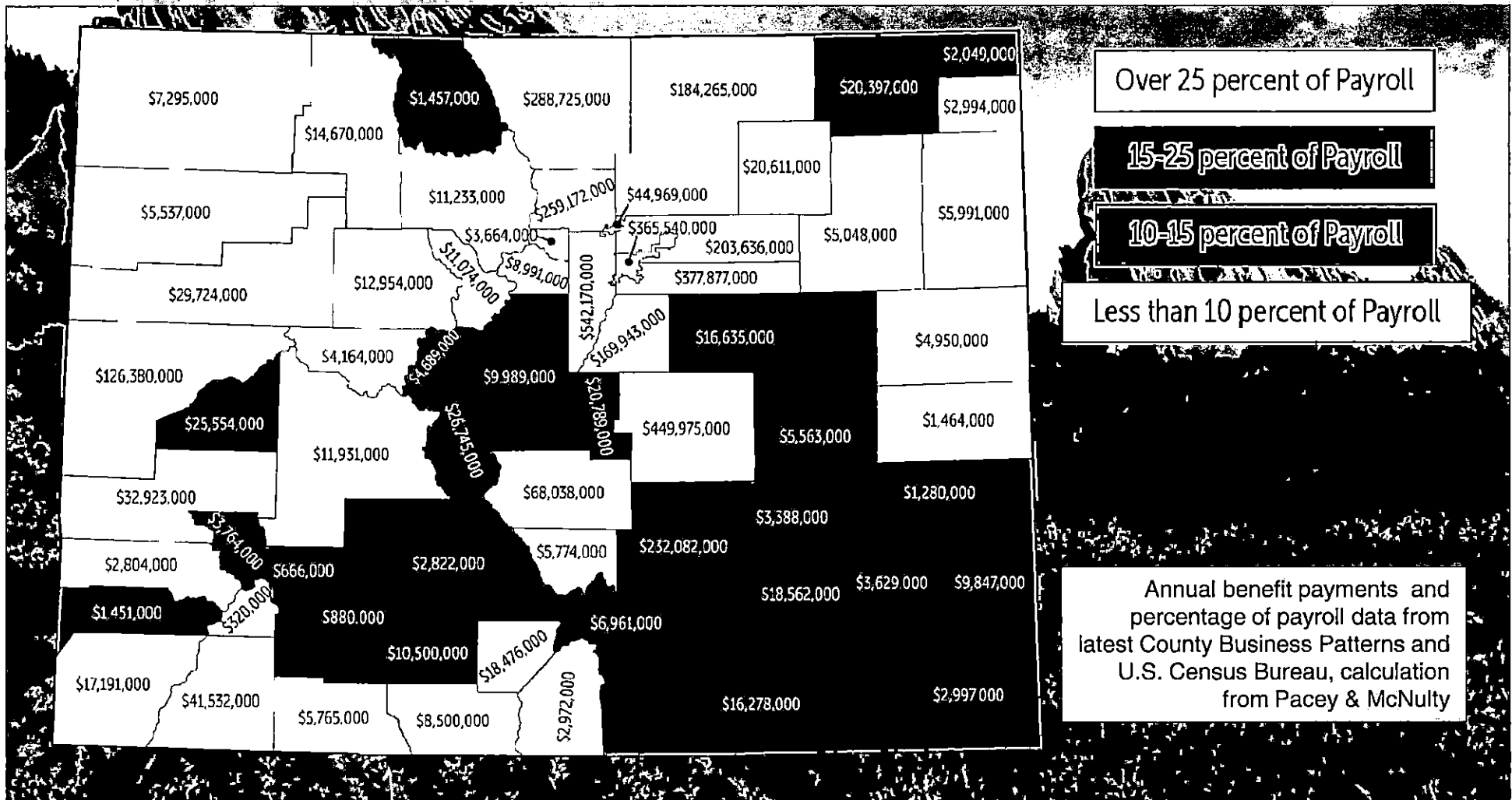
Total: 601,502



PERA Contributes to the State Economy

\$6.1 billion economic output **32,800** jobs statewide

Total Colorado Distributions = **\$3.8 Billion**



PERA Financial Recap

\$48,995,016 net position as of December 31, 2017

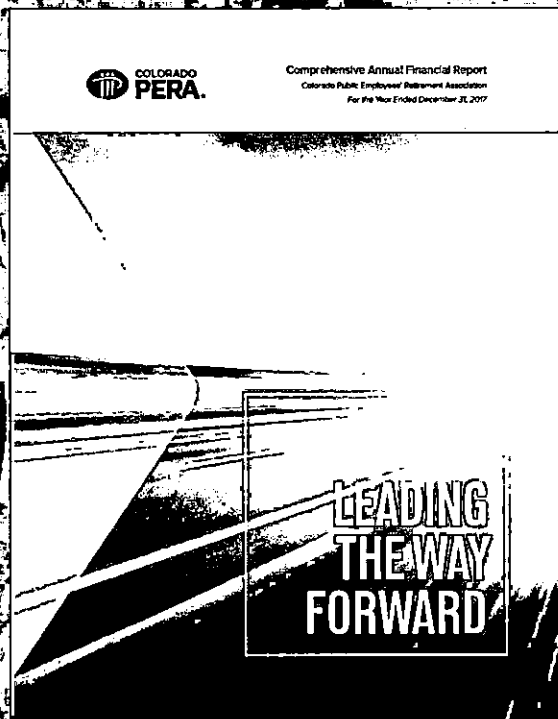
September 2018

(in thousands of dollars; does not include defined contribution plans)

| Contributions \$2,108,149 | | Investments \$1,979,157 | | Benefits Paid (\$3,706,001) | |
|------------------------------|-----------|---|-------------|--------------------------------|---------------|
| Employer – Pension – Regular | \$819,734 | Net Change in Fair Value | \$1,261,560 | Pension Benefits | (\$3,448,565) |
| Employer – Pension – AED | \$288,809 | Interest | \$245,046 | Health Care Benefits | (\$75,184) |
| Employer – Pension – SAED | \$320,751 | Dividends | \$438,718 | Disability/Life Insurance | (\$5,089) |
| Employer – Health Care | \$69,514 | Real Estate/Opportunity Fund/ Private Equity | \$119,878 | Refunds | (\$127,368) |
| Member | \$545,795 | Securities Lending | \$7,455 | Other | (\$3,932) |
| Purchased Service | \$48,717 | Investment Expense | (\$93,500) | Administrative Expense | (\$45,863) |
| Other Additions | \$14,829 | | | | |

\$49,376,321 net position as of September 30, 2018

2017 *Comprehensive Annual Financial Report*



Issued annually in June

Thorough reporting on financials, membership, investment performance, and funded status

Available online and delivered to legislative offices

CAFR Snapshot

115,801 Retirees and beneficiaries receiving a benefit from PERA in 2017

\$3,232 Average monthly benefit for all retirees

58.6 years Average age at retirement

23.1 years Average years of service at retirement

PERA Management Plan

Document the robust procedures currently being performed in the review of the actuarial reports issued for financial reporting.

- » Management has enhanced the existing procedure from a “review and reasonability check” to a “review and verify” of the calculation of the SEIR, including verification of the applied 20-year Municipal Bond Index Rate back to the original source data.

Review of PERA’s controls over financial reporting and include the Internal Audit Department in the process of identifying areas where PERA’s controls should be enhanced to reasonably ensure accuracy in PERA’s financial reporting. The Internal Audit Department’s annual plan will be approved by the Audit Committee of the PERA Board, as is standard practice.

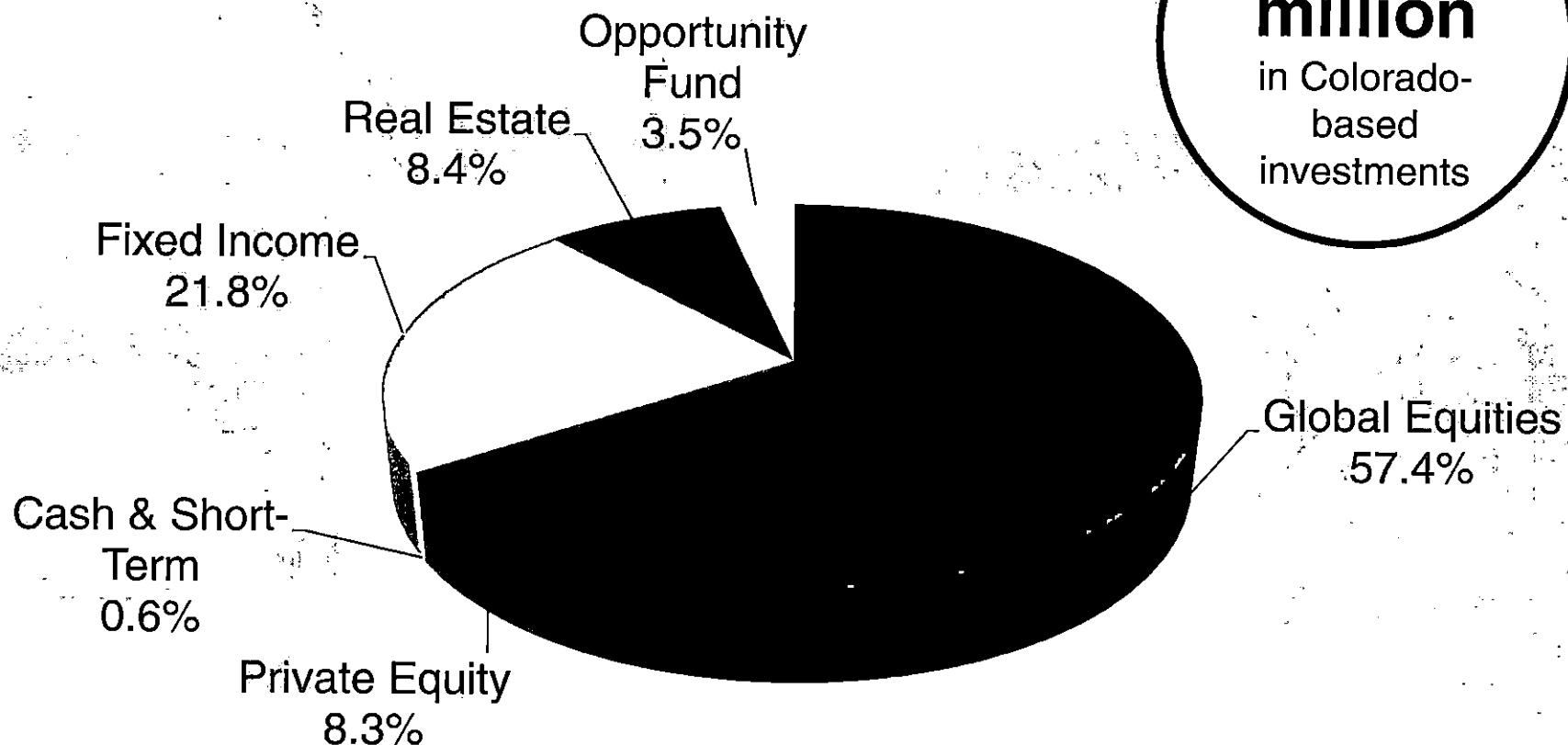
Review of the current procedures in place for the review of the actuarial reports and implement additional procedures as necessary to further assist in the identification of actuarial calculation errors or disclosures.

Investment Asset Allocation

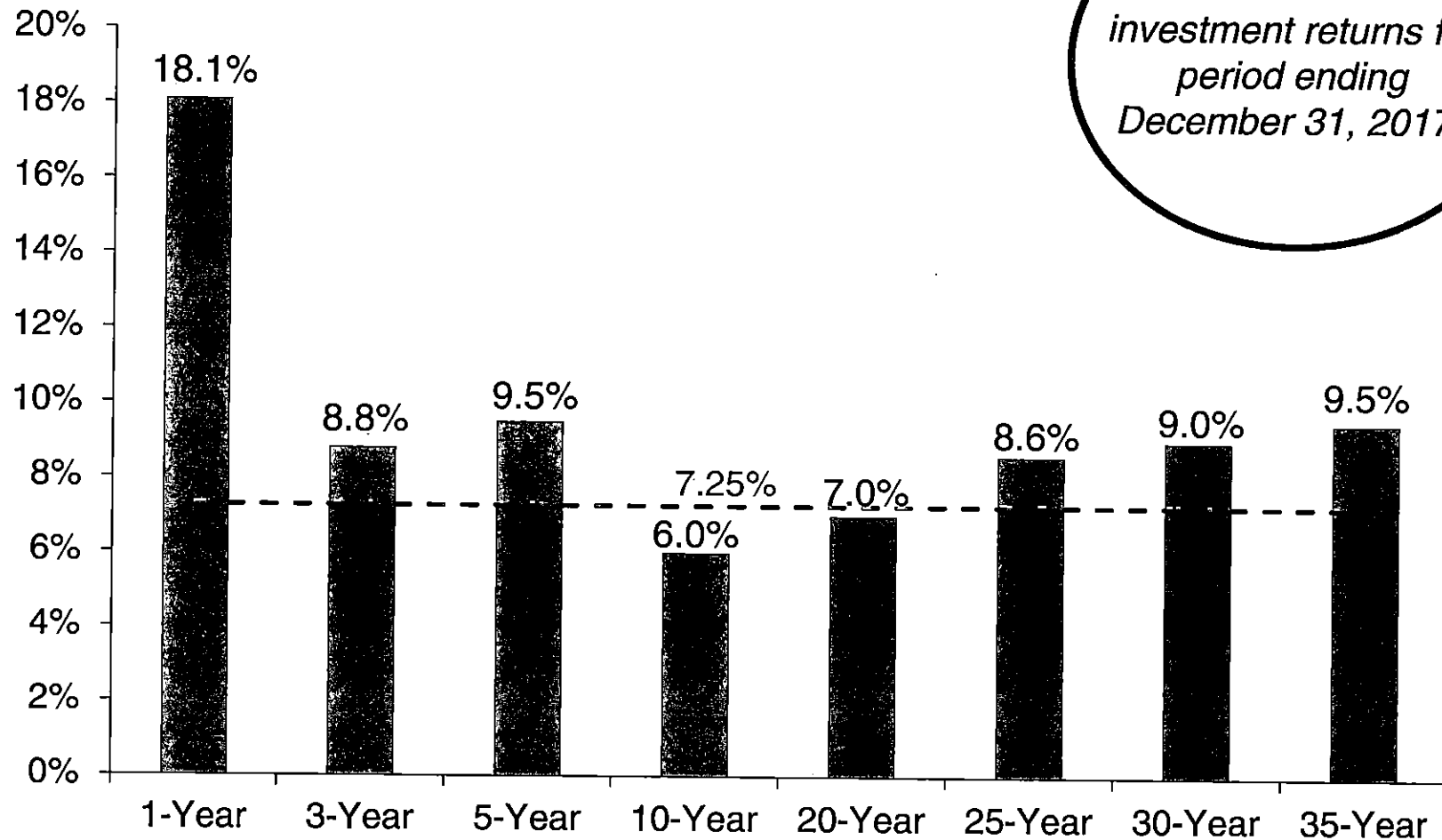
\$49.3 Billion Market Value

As of September 30, 2018

**\$515
million**
in Colorado-
based
investments



Investing for Long Term



* 1-, 3-, 5-, 10-, and 20-year returns are net of fees
25-, 30-, and 35-year returns are gross of fees

Investment Program

As of December 31, 2017

\$48.9 billion

Assets under management on behalf of
PERA membership



\$67 billion

Total
investment
income
generated over
35 years



59%

Assets
managed
in-house by
PERA staff



\$45 million

Savings
generated in
2017

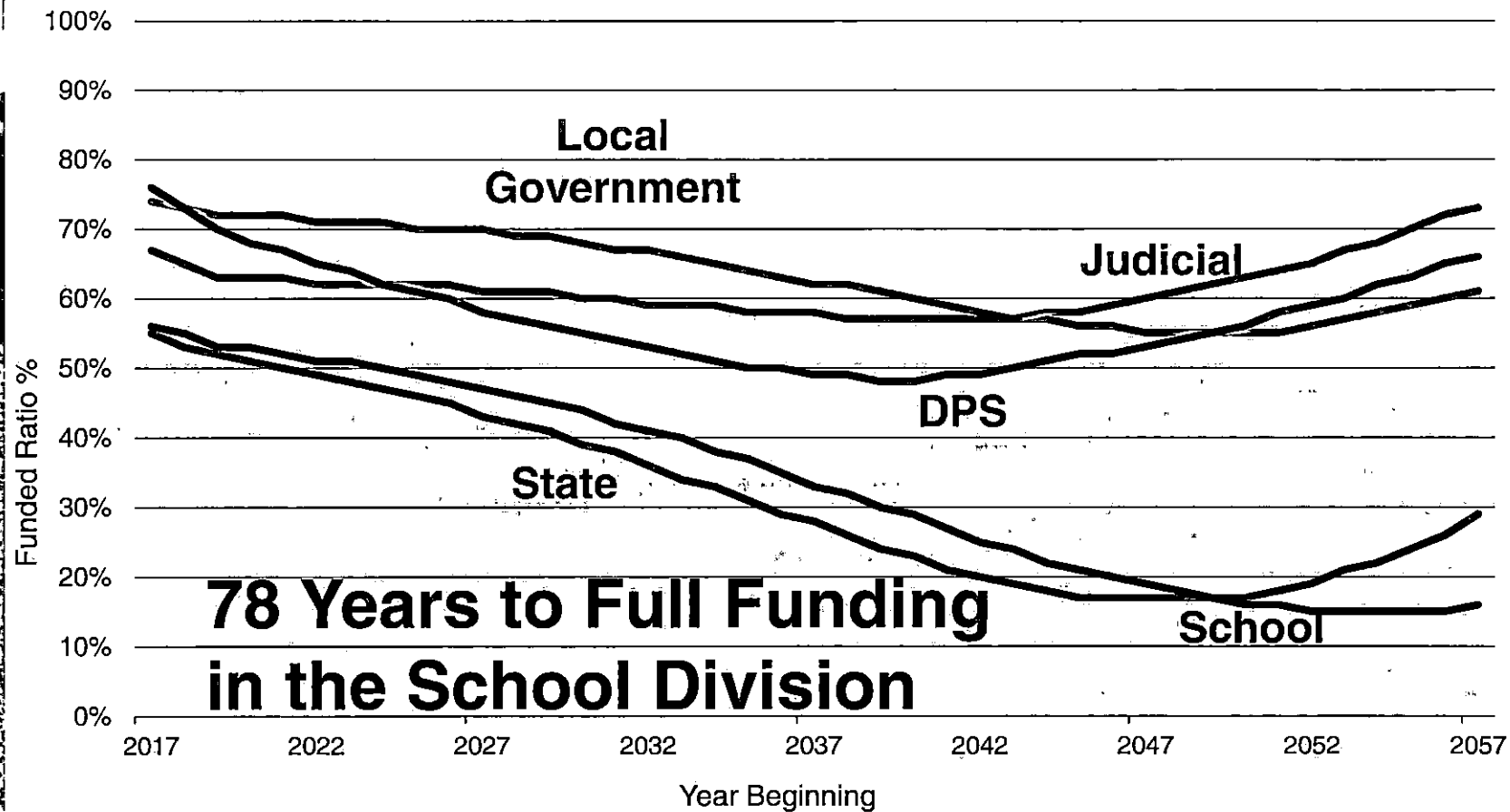


0.35%

2017 percentage of
the total fund paid
in internal
and external
management fees

Where We Were

2016 Funding Levels



**78 Years to Full Funding
in the School Division**

- State Division
- Local Government Division
- DPS Division
- School Division
- Judicial Division

40-year projection of funded ratio on actuarial asset value based on December 31, 2016, valuation results

The Goal: Fully Funded Within 30 Years

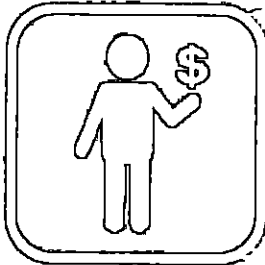
**PERA Funding
Policy**

**Colorado
Statute**

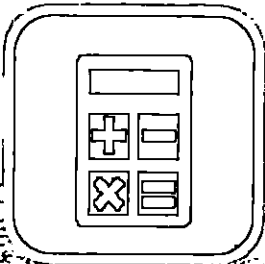
Pension Best Practices

When PERA is fully funded within 30 years, it means that the fund is within tolerable risk levels

SB 200: Major Provisions



Increase Contributions



Modify Benefits

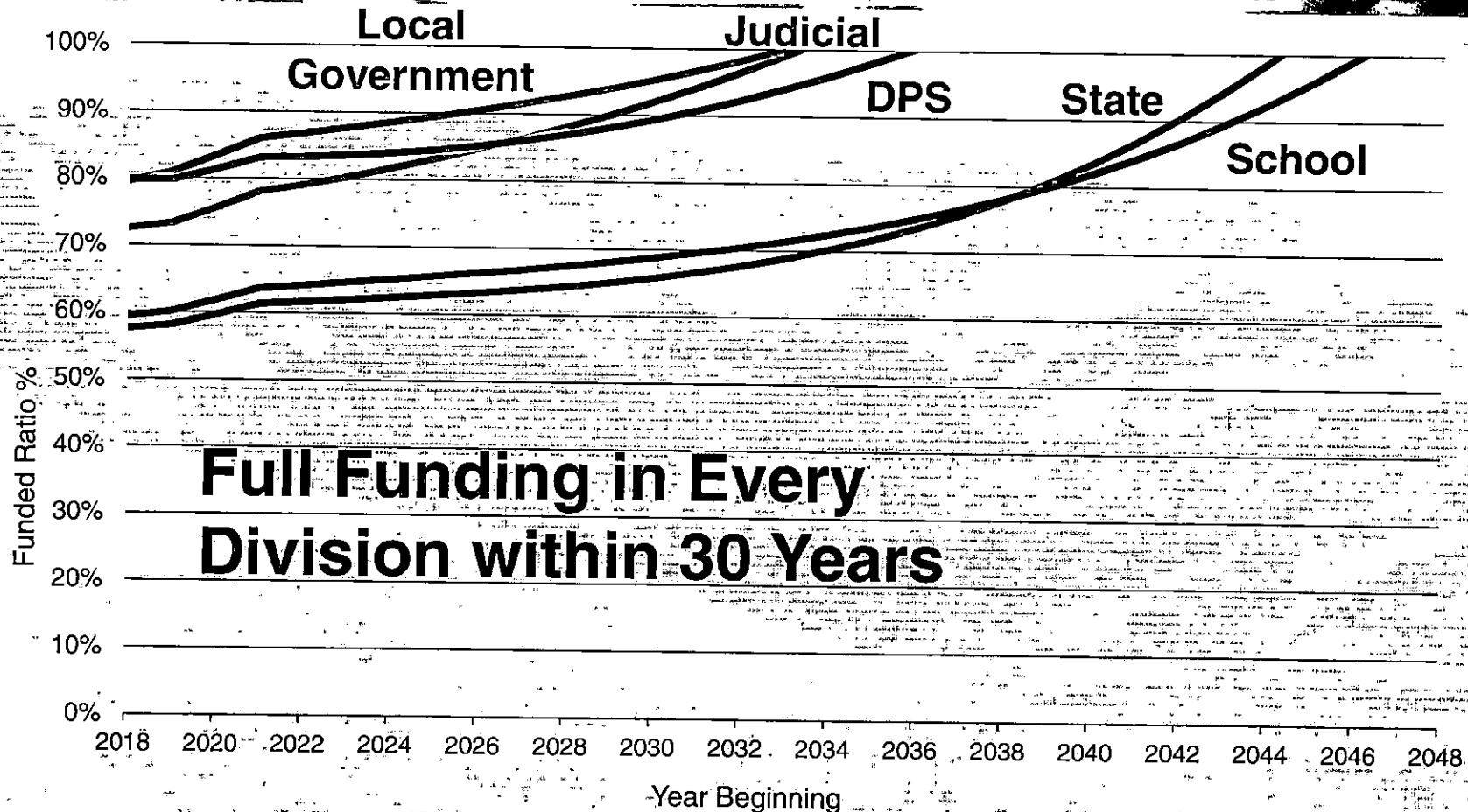


**Align Contributions
With Benefits**



**Automatic Adjustment
Provision**

Post SB 200 Funding Levels



**Full Funding in Every
Division within 30 Years**

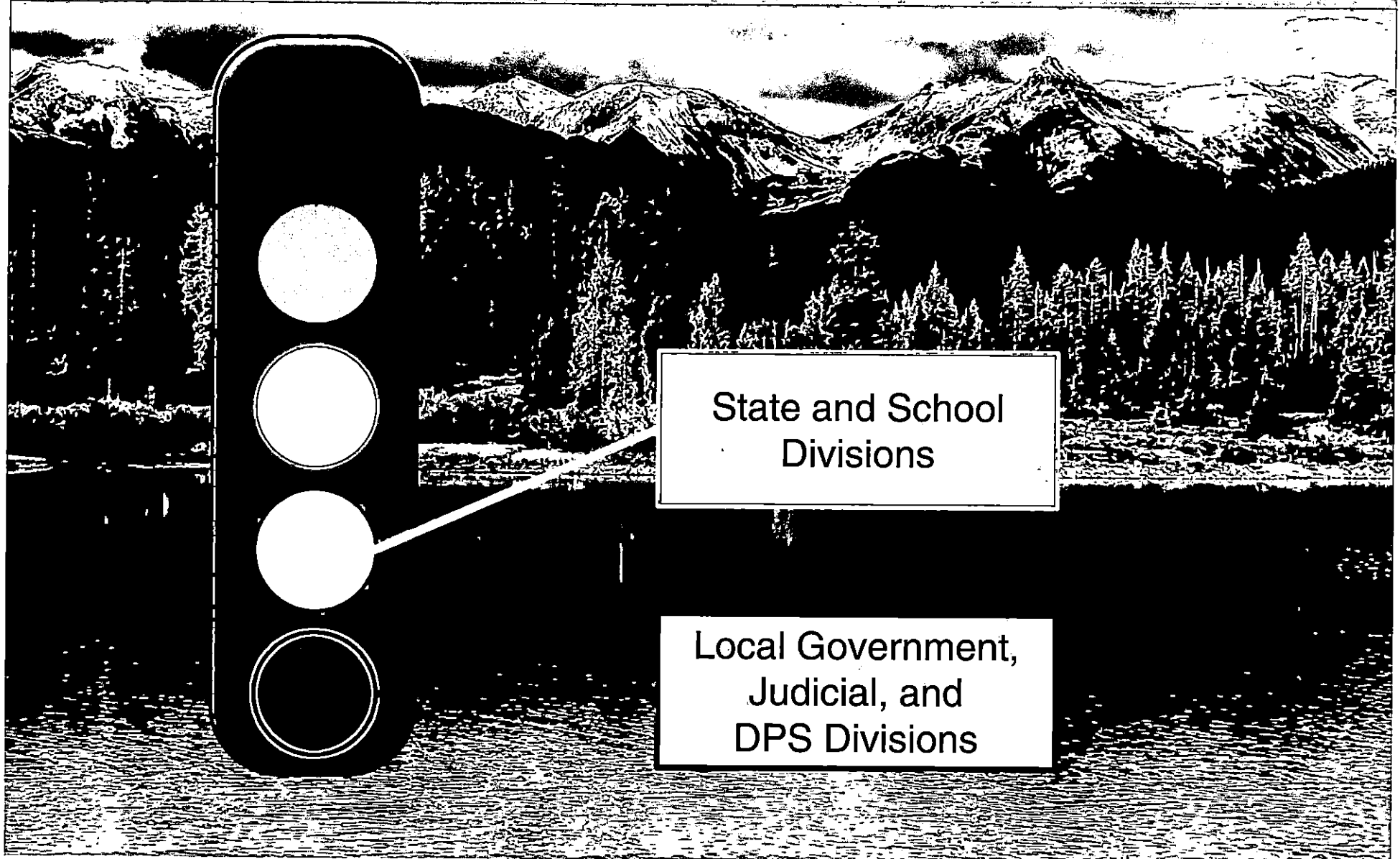
- State Division
- School Division
- Local Government Division
- Judicial Division
- DPS Division

30-year projection of funded ratio on actuarial asset value based on December 31, 2017, valuation results

Signal Light Methodology

| Status | Definition |
|-------------|--|
| Dark Green | 100% Funded by 2041 (30 years from 2011) |
| Green | 100% Funded by 2048 (30 years from 2018) |
| Light Green | 100% Funded by 2058 (40 years from 2018) |
| Yellow | 100% Funded by 2068 (50 years from 2018) |
| Orange | Solvent but longer than 50 years to reach 100% Funded |
| Red | Insolvent after 2038 (after 20 years) |
| Dark Red | Insolvent by 2038 (within 20 years) |

Post SB 200 Signal Light Indicator



State and School
Divisions

Local Government,
Judicial, and
DPS Divisions

Automatic Adjustment Provision

Four Components

Employer
Contributions

Employee
Contributions

Annual
Increase (AI)

Direct
Distribution
(reduction
only)

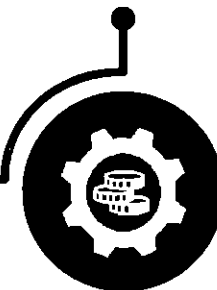
Report on Actuarially
Determined
Contribution in *CAFR*

Determination of any
adjustment needed to
stay on track

First eligible year for
any adjustments
needed



June 2019



July 1, 2020

Automatic Adjustment Provision

BEHIND SCHEDULE

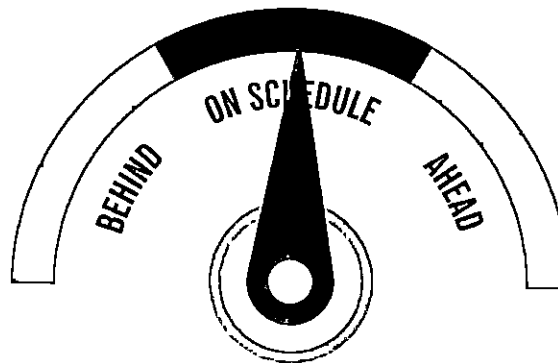


Decrease Annual
Increase
Percentage



Increase employer
and member
contributions

CLOSED 30-YEAR FUNDING PERIOD



AHEAD OF SCHEDULE



Increase Annual
Increase Percentage



Decrease employer
and member
contributions



Decrease the
\$225 million direct
distribution from the
State budget

Legislative Year Ahead

**No legislative agenda
items for 2019 have
been identified**



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