

EMBRACING CHANGE

to position PERA for the future

Pension Review Commission

Ron Baker, Executive Director

Amy C. McGarrity, Chief Investment Officer



COLORADO
PERA®

Colorado Public Employees' Retirement Association

Founded in **1931** to address the retirement needs of the public sector, PERA is a retirement plan that serves as a **replacement for Social Security.**

Voluntary Investment Program

PERAPlus 401(k)
and 457 Plans



Defined Benefit Plan

Stable benefit payments to over
121,000 retired public employees

Defined Contribution Plan

Choice available to State and Local
Government employees

Health Benefits Program

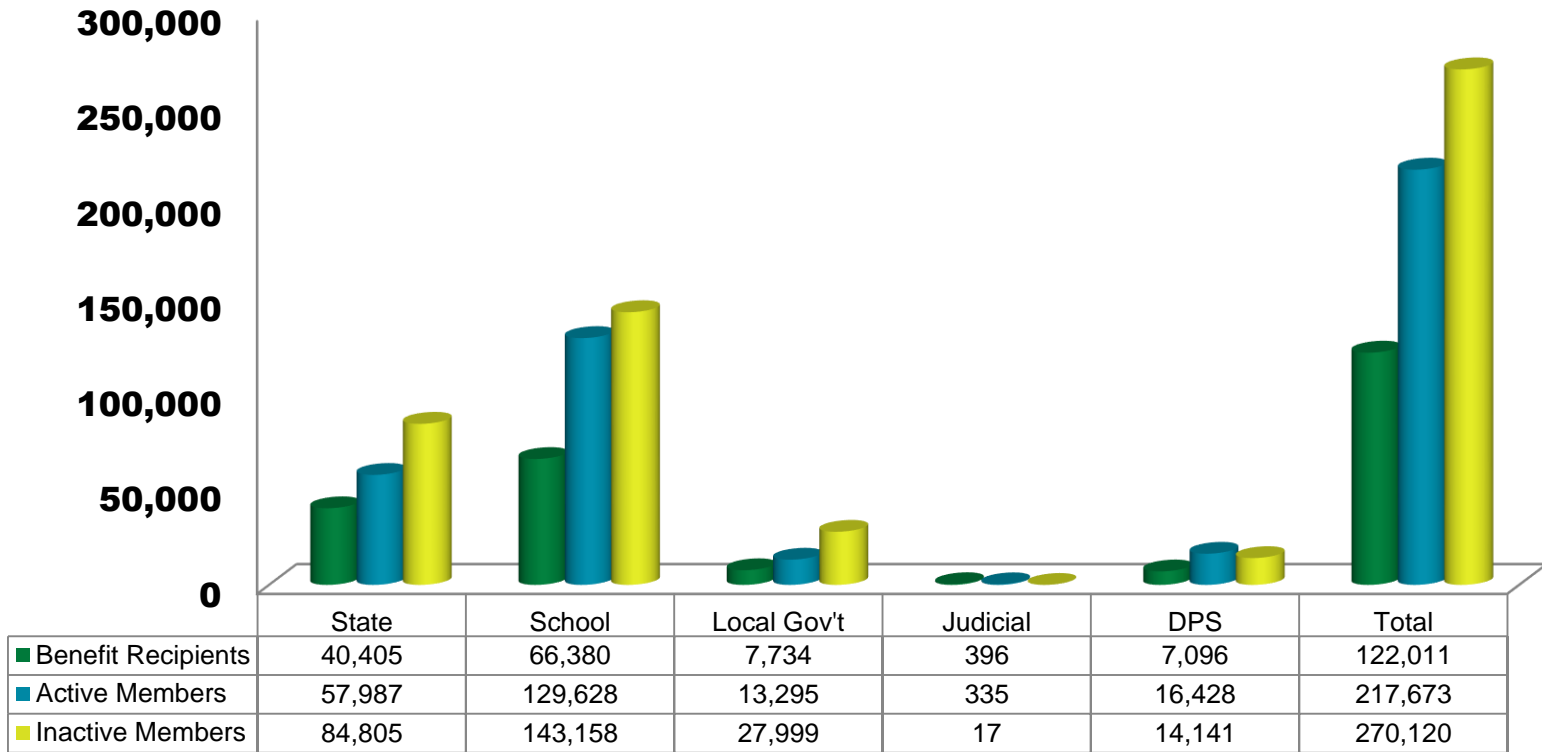
Active and retired
member coverage



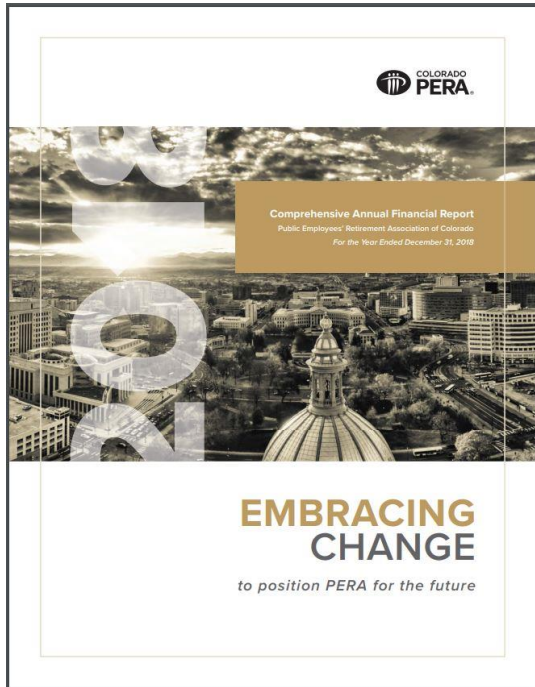
PERA Membership

April 30, 2019

Total: 609,804



2018 Comprehensive Annual Financial Report



Issued annually in June

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

Available online and delivered electronically to all legislators

CAFR Snapshot

- **-3.5%** Investment return in 2018
- **121,865** Retirees and beneficiaries receiving a benefit from PERA in 2018
- **58.8 years** Average age at retirement
- **23 years** Average years of service at retirement

SB 200: Major Provisions



Increase Contributions



Modify Benefits



**Align Contributions
With Benefits**



**Automatic Adjustment
Provision**

Automatic Adjustment Provision

Four Components

Employer Contributions

Employee Contributions

Annual Increase (AI)

Direct Distribution (reduction only)

Financial report indicates PERA is behind schedule and adjustments are needed

Implement adjustments

Process occurs again



June 2019



July 1, 2020



Annually

Automatic Adjustment Provision

FULLY FUNDED BY 2047



Decrease AI percentage by up to 0.25% in one year, not to fall below 0.5%



Increase employer contributions by up to 0.5% in one year, not to exceed an additional 2%



Increase member contributions by up to 0.5% in one year, not to exceed an additional 2%



Increase the direct distribution from the State budget by up to \$20 million in one year, not to exceed \$225 million

SB 200 and the Amortization Period

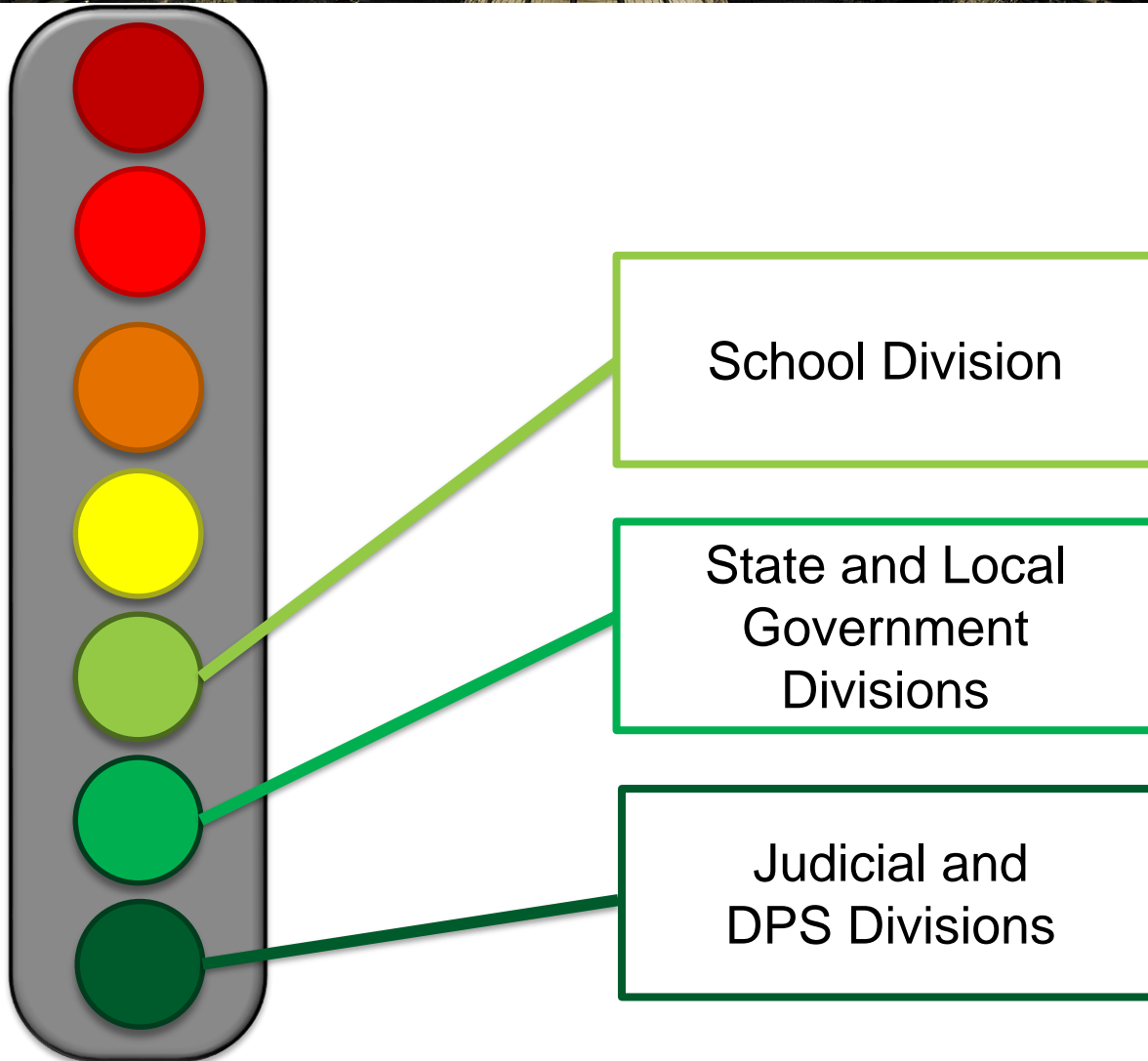
Division Trust Fund	Projected Years to Full Funding <i>without</i> Automatic Adjustment	Projected Years to Full Funding <i>with</i> Automatic Adjustment
State	33	28
School	41	34
Local	40	29
Judicial	24	21
DPS	20	17



Signal Light Methodology

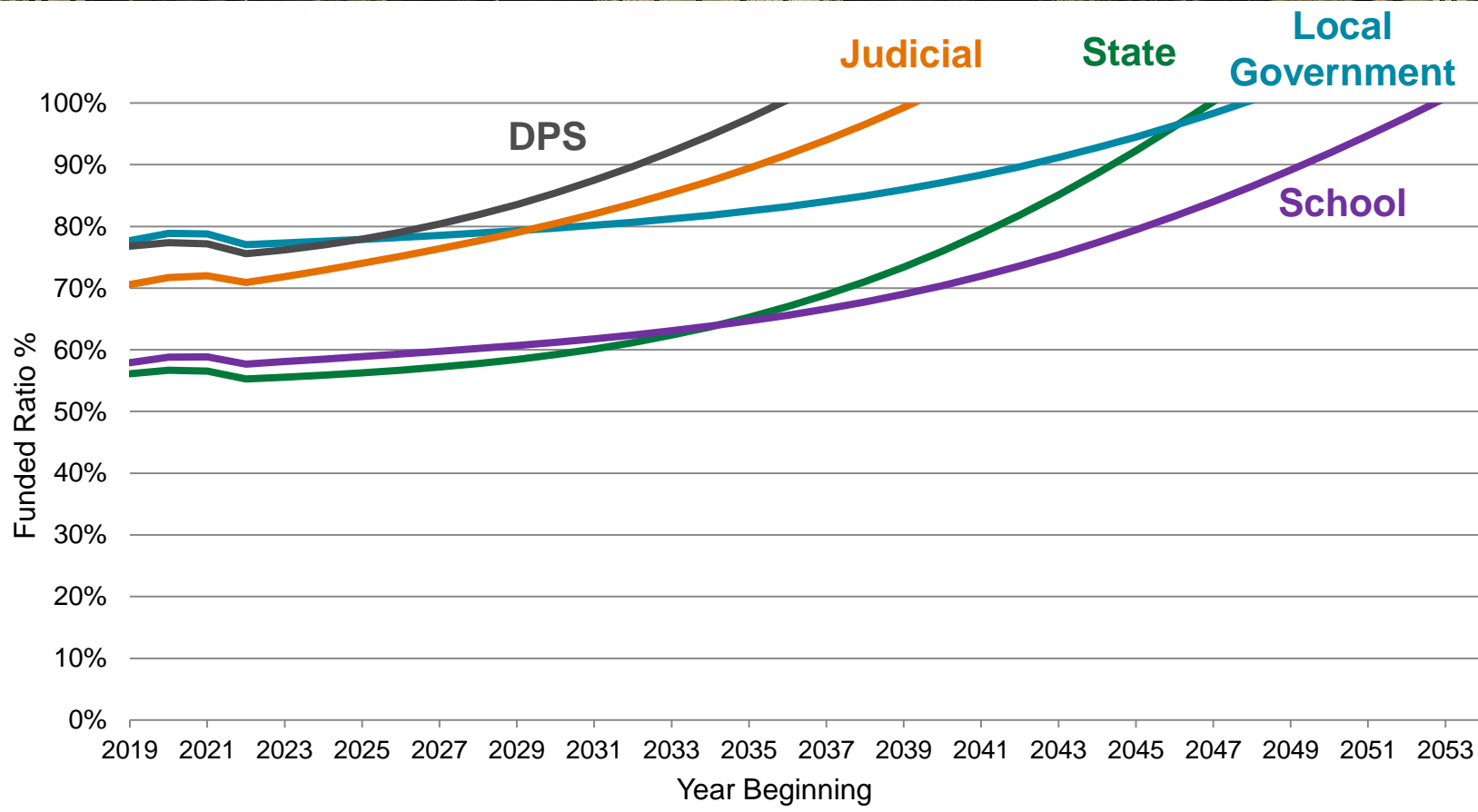
Status	Definition
Dark Green	Plan is anticipated to pay off current UAAL by 2041 – Consistent with Senate Bill 10-001
Green	Plan is anticipated to pay off current UAAL by 2048 – A 30-year funding period from 2018
Light Green	Plan is anticipated to pay off current UAAL by 2058 – A 40-year funding period from 2018
Yellow	Plan is anticipated to pay off current UAAL by 2068 – A 50-year funding period from 2018
Orange	Plan is anticipated to remain solvent and pay off current UAAL beyond 50 years from the most recent valuation date
Red	Plan is anticipated to become insolvent after 2039 (after 20 years from the most recent valuation date)
Dark Red	Plan is anticipated to become insolvent by 2039 (within 20 years from the most recent valuation date)

Signal Light Reporting





2018 Funding Levels

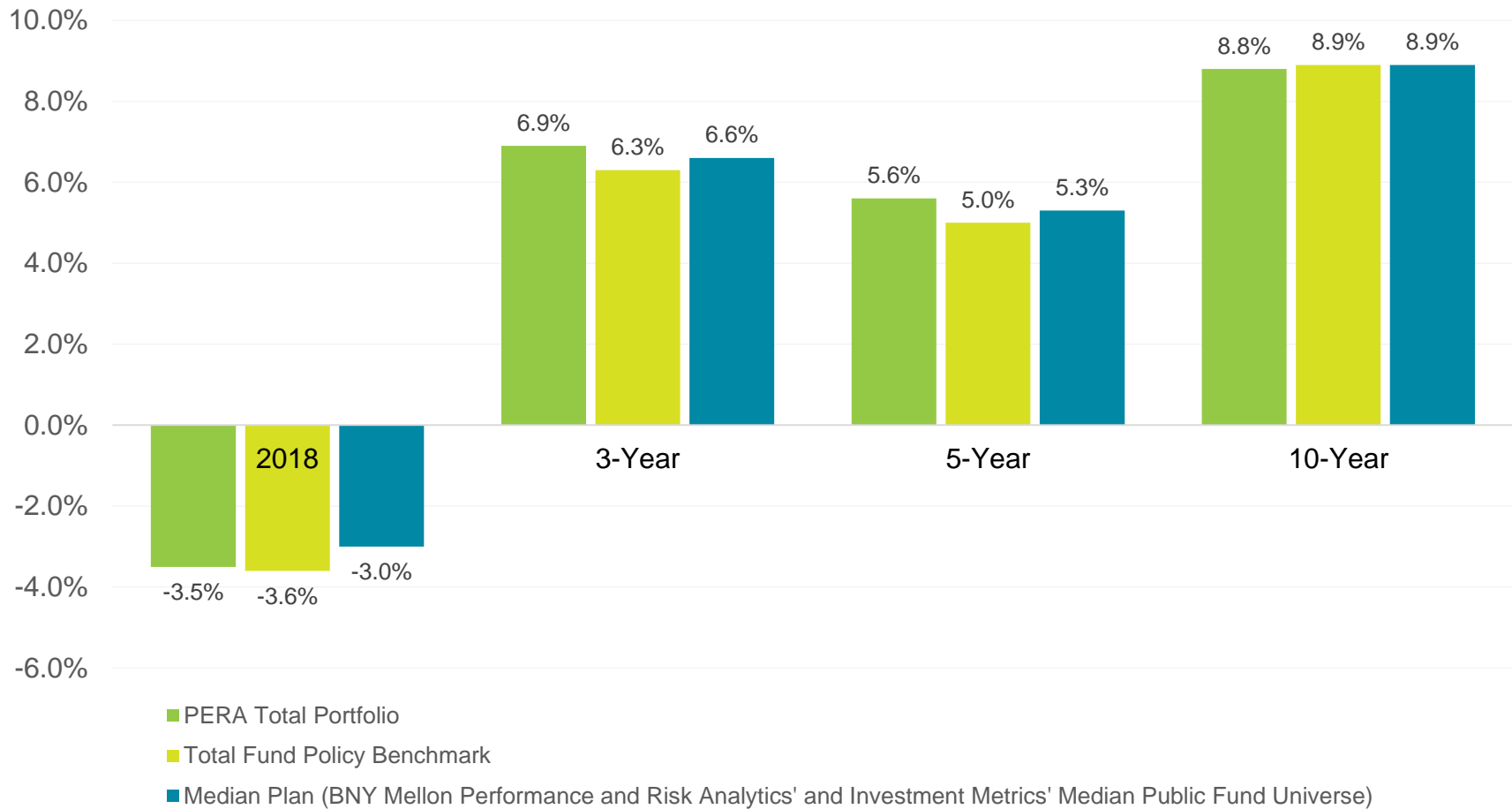


- State Division
- Local Government Division
- DPS Division
- School Division
- Judicial Division



30-year projection of funded ratio on actuarial asset value based on December 31, 2018, valuation results

Total Fund Returns Compared to Benchmark and Median Plan



Returns by Asset Class Compared to Benchmark (as of 12/31/18)

	2018	3-Year	5-Year	10-Year
PERA Total Portfolio	(3.5%)	6.9%	5.6%	8.8%
<i>Total Fund Policy Benchmark</i>	(3.6%)	6.3%	5.0%	8.9%
<i>Median Plan (BNY Mellon Performance and Risk Analytics' and Investment Metrics' Median Public Fund Universe)</i>	(3.0%)	6.6%	5.3%	8.9%
Global Equity	(9.1%)	7.2%	5.0%	10.5%
<i>Global Equity Custom Benchmark</i>	(9.9%)	6.5%	4.2%	10.1%
Fixed Income	(0.1%)	2.6%	2.9%	4.3%
<i>Fixed Income Custom Benchmark</i>	0.1%	2.7%	2.8%	4.1%
Private Equity	7.6%	12.5%	10.7%	12.4%
<i>Private Equity Custom Benchmark</i>	10.2%	12.1%	11.4%	16.5%
Real Estate	11.1%	10.7%	12.5%	8.1%
<i>Real Estate Custom Benchmark</i>	7.9%	7.8%	9.9%	6.7%
Opportunity Fund	5.6%	8.1%	4.6%	3.8%
<i>Opportunity Fund Benchmark</i>	2.2%	6.0%	3.8%	6.5%
Cash and Short-Term Investments	2.0%	1.2%	0.7%	0.6%
<i>ICE BofAML U.S. 3-Month Treasury Bill Index</i>	1.9%	1.0%	0.6%	0.4%

Bullish Optimism Cedes to Bearish Realities

December 2017

At the beginning of 2018, strategists estimated the return on the S&P 500 in 2018 would be 9.0%

December 2018

The return (price) was actually -6.2%

Euro zone growth, eclipsing U.S. economy, set to be best in decade

Reuters, 14-Nov-17

US Senate approves sweeping tax overhaul

FT, 02-Dec-17

US stock market hits record high after Trump tax bill success

Guardian, 04-Dec-17

'Sufficient Progress' Made on Phase One of Brexit Talks

FX Street, 08-Nov-17

Dow Industrials Fall 508 Points as Investors Fret Over Growth

Individual Investors Try Not to Panic Over Big Market Gyration

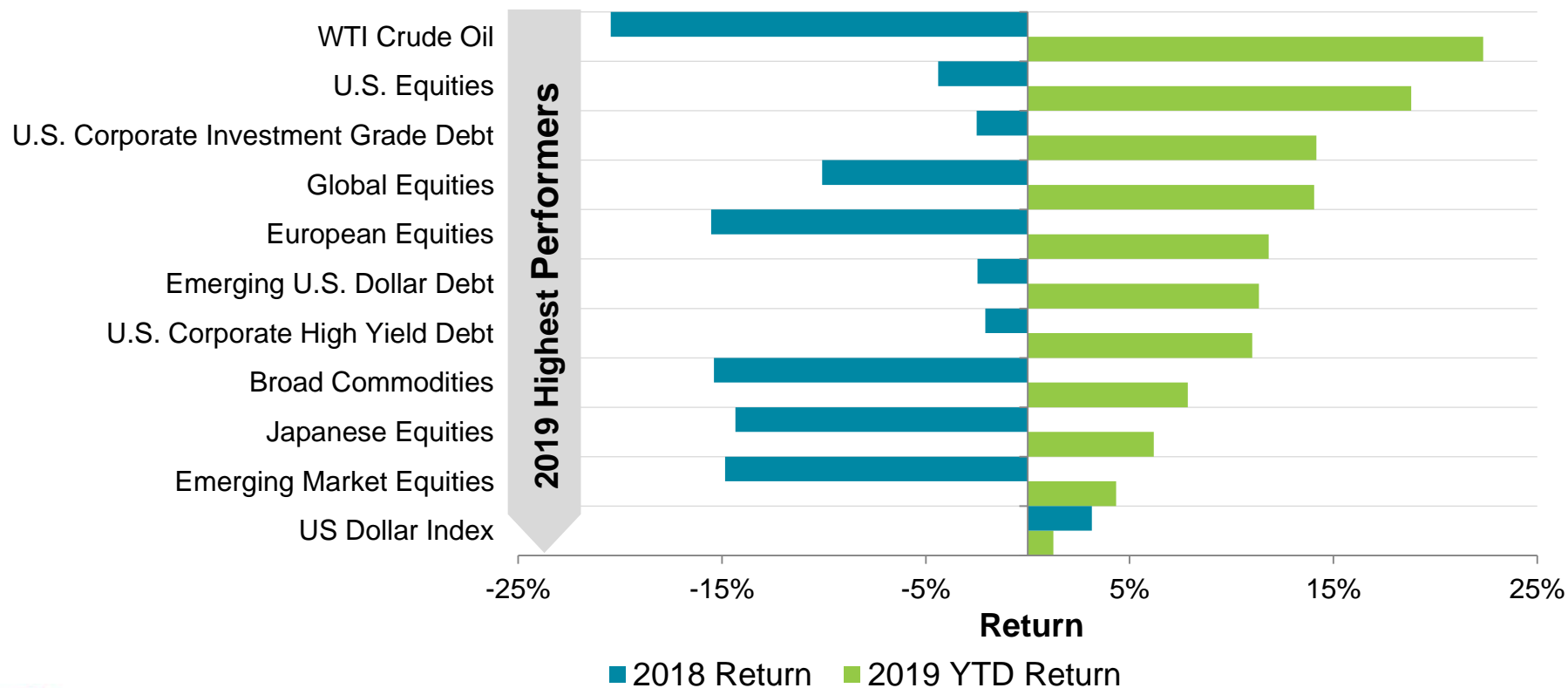
"My friends are like: Oh my God, the world is ending"

Stock Rout Puts Nasdaq in Bear Market

The Great Cheapening of 2018: Global Stock Valuations Now at Five-Year Lows

Market Performance: 2018 vs. 2019 YTD*

There has been a significant rebound in “risk assets” YTD



Colorado PERA's Asset Classes

- PERA's strategic asset allocation is the largest determinant of the long-term rate of return assumption (currently 7.25%)
- Each asset class fulfills a specific role (e.g. diversification, returns, liquidity, etc.) within the Total Fund
- PERA's Policy Benchmark is a weighted average of the individual asset class benchmarks
- All benchmarks are chosen by the PERA Board in consultation with their outside consultant (currently Aon)

Real Estate: 8.5%*

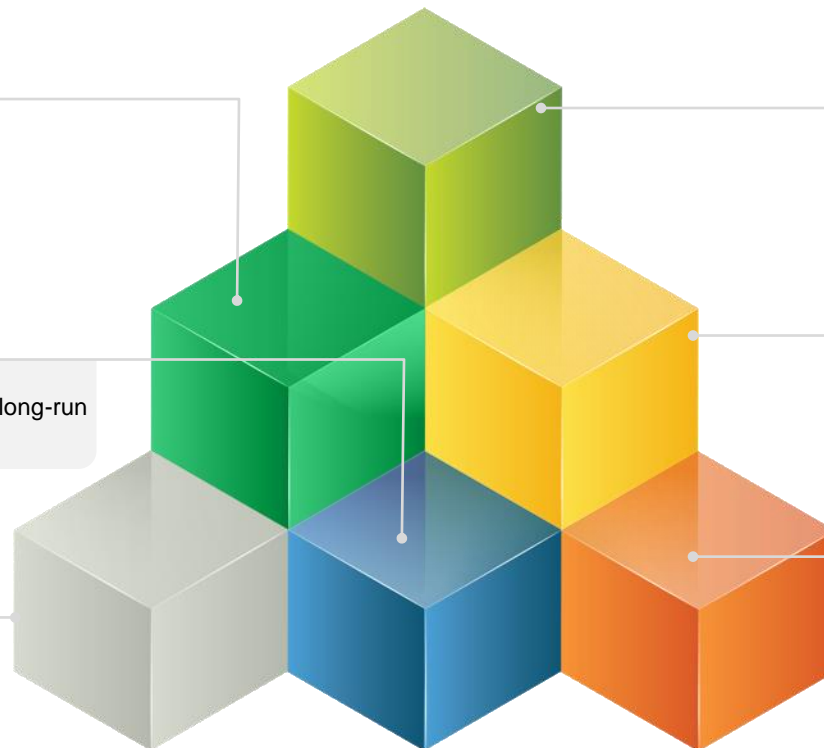
- **Expected 10-year return: 9.1%**
- Source of alternative income and downside protection

Global Equities: 53.5%*

- **Expected 10-year return: 7.5%**
- Primary driver of portfolio return in the long-run
- Provides liquidity to the portfolio

Cash: 1%*

- **Expected 10-year return: 2.2%**
- Held for liquidity purposes



Opportunity Fund: 5.0%*

- **Expected 10-year return: 6.0%**
- Provides good risk-adjusted returns and diversification

Private Equity: 8.5%*

- **Expected 10-year return: 9.0%**
- Enhances returns beyond what is available in public equity
- Provides diversification

Fixed Income: 23.5%*

- **Expected 10-year return: 3.0%**
- Provides diversification and liquidity while reducing portfolio volatility




High Performance, Low Cost

\$45.1 billion
Assets under management on behalf of PERA membership



\$168 million

Internal and external management expenses




61%

Assets managed in-house by PERA staff



\$45 million

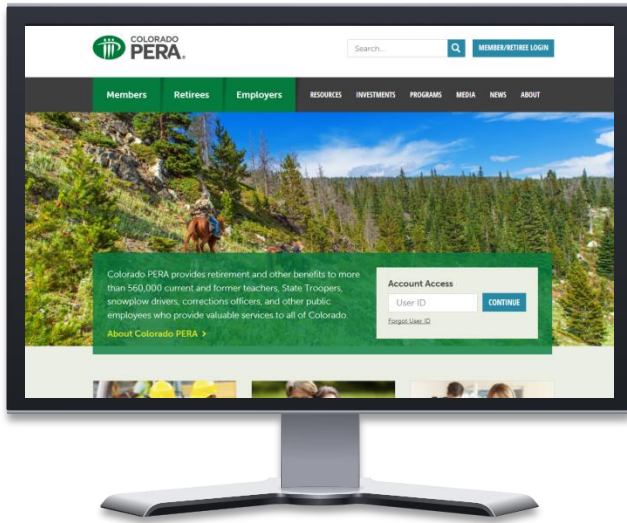
Fee savings generated in 2018



0.37%

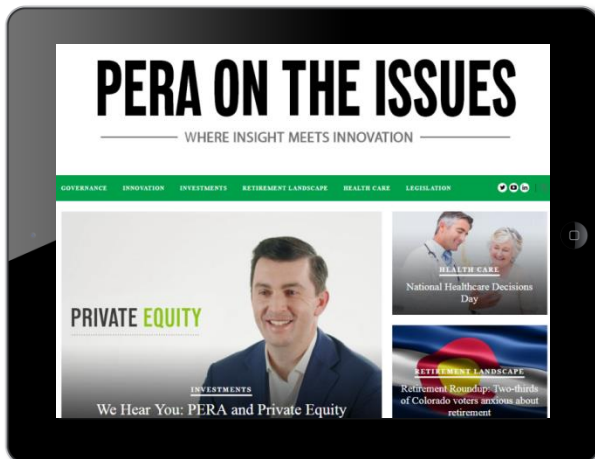
In 2018 percentage of the total PERA fund paid in internal and external management fees

Stay Informed



Website
www.copera.org

Twitter
[@coloradopera](https://twitter.com/coloradopera)



Blog
www.peraontheissues.com