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**COLORADO**  
**HOUSE OF REPRESENTATIVES**  
STATE CAPITOL  
DENVER  
80203

August 1, 2019

TO: Members of the Pension Review Subcommittee

FROM: Representative Shannon Bird, Chair

SUBJECT: Pension Review Subcommittee Organization and Procedures

Welcome to the Pension Review Subcommittee. I look forward to serving with you. To ensure that meetings are productive and remain congenial and professional, the following subcommittee rules and procedures are established. Please review this memorandum and discuss with me if you have any questions or feedback.

## **Attendance**

Please let the chair know if you will be late to or absent from any subcommittee meetings.

Regarding the requirement in state law to attend specific PERA-related meetings (the Joint Finance SMART Act hearing, the Legislative Audit Committee meeting on PERA, and one meeting of the PERA board), please inform the chair and Pension Review Subcommittee staff in writing of which meetings you plan to attend and whether you will be there in person or, where available, listen online.

## **General Guidelines for the Subcommittee**

Subcommittee members and individuals testifying must be recognized by the chair each time before speaking, unless instructed otherwise.

Whoever is sitting in the position of chair will be addressed as "Mister" or "Madame" Chair, as appropriate. If the person chairing is not the designated chair, the name of the member taking the chair will be announced so that the audio record is clear.

Parliamentary procedure is governed by rules of the House of Representatives. Notably, motions made by members require a second. The chair makes other rulings on procedures and motions as necessary.

## **Remote Participation of Public Members**

Remote participation of public members in subcommittee meetings may be permitted by the chair. Requests to participate remotely must be in writing. The chair's approval of this request is based, in part, on ensuring a quorum is physically present at each meeting. Remote voting by public members may also be permitted. Public members who participate in subcommittee meetings remotely should expect to spend time the day prior to the meeting with Legislative Council Staff's information technology specialists testing the functionality of the remote participation system with the member's computer and phone.

## **Voting**

To vote on any recommendations or decision items, a quorum must be participating. With 14 members assigned, a quorum for the Pension Review Subcommittee is 8 members. A passing vote requires a majority of the subcommittee members participating at the meeting. A roll call vote will be taken in alphabetical order, with the vice-chair and chair voting last.

Items the subcommittee will vote on may include, but are not limited to:

- recommendations to the Pension Review Commission and PERA;
- approval of request for proposals; and
- approval of written reports.

## **Pension Review Subcommittee Responsibilities and Timeline**

Pursuant to state law<sup>1</sup>, the subcommittee must, on the following schedule, complete the following activities as they relate to PERA.

### **Annually**

- Review the calculated normal costs that will cover current pension benefits and the share of contributions going to cover PERA's unfunded liability.

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<sup>1</sup>Section 24-51.1-101 (4), C.R.S.

- Report in writing to the citizens of Colorado regarding whether or not PERA is on track to achieve full funding by 2048 and if not, the corrective actions recommended by the subcommittee or the association to the General Assembly to rectify the shortfall. This communication must be made in a manner that is clear, concise, and accessible to laypeople. This communication must quantify the net present value of any funding deficit on a per citizen basis. For example, \$50 billion on five million five hundred thousand people equals \$9,090 per person. The certified annual financial report may not serve as this communication.
- Report to the General Assembly regarding whether or not the association is on track to achieve full funding by 2048 and if not, the corrective actions recommended by the subcommittee or PERA to rectify the shortfall.

### Semi-Annually

- Review PERA's overall financial health, including the levels of benefits, its sources of funding, and its overall financial viability based on both the assumptions of the association board of directors and the requirements of the governmental accounting standards board. The subcommittee may request that PERA provide general financial reporting based on assumptions for economic and investment factors, including, but not limited to, inflation, economic growth, employment growth, and rate of return, that differ from board assumptions. If the subcommittee determines that PERA's board of directors is using assumptions that are too conservative or too aggressive, the subcommittee shall request that PERA adjust its assumptions accordingly.
- Review the planned reduction of PERA's unfunded liability. If full funding will not be achieved by 2048, the subcommittee must make additional recommendations to the commission, the Joint Budget Committee, and the General Assembly to achieve full funding by 2048. If, upon that review, the subcommittee determines that PERA does not have at least a 67 percent likelihood of achieving full funding by 2048, then PERA must provide recommendations to the subcommittee for policy changes that would return the association to fully funded status by 2048.

### Ongoing

- Study the provisions of state law regarding PERA and make necessary recommendations to the commission or PERA.
- Determine the necessity of continuing the direct distribution to PERA.
- Suggest to PERA enhancements that the association could make to the annual analysis that it conducts pursuant to Senate Bill 14-214, enacted in 2014, to determine whether PERA's model assumptions are meeting targets and achieving sustainability.
- Review the PERA's annual actuarial valuation and make comments to PERA as necessary.
- Make recommendations to PERA's board of trustees regarding assumptions, funding policy, reporting practices, or other operational policy.

- Ensure that the PERA board is administering the association as mandated and make recommendations for the association board structure as warranted.

### Every Three Years

- Every three years, commission an independent review of the economic and investment assumptions used to model PERA financial situation. The subcommittee must use experts other than those already working on behalf of the association.

### Long Term

- After full funding is achieved, make recommendations to the Pension Review Commission, the Joint Budget Committee, and the General Assembly during each legislative session regarding changes to the plan to maintain full funding.

## Committee Record

Staff maintains a written record of all subcommittee action, witnesses, and materials distributed to the subcommittee. Staff will also prepare a final report of the subcommittee's activities at the end of each calendar year.

## Further Information

The Pension Review Subcommittee's website can be found at:

<https://leg.colorado.gov/node/1475006/>

Questions related to the subcommittee can be directed to the Pension Review Commission and Subcommittee staff at [pensionreviewcomm.ga@state.co.us](mailto:pensionreviewcomm.ga@state.co.us). Questions or feedback regarding the contents of this memorandum should be referred to the chair.