

# Joint Finance Committee

January 26, 2023

Ron Baker, Executive Director

Amy C. McGarrity, Chief Investment Officer/Chief Operating Officer





# Public Employees' Retirement Association of Colorado (PERA)

## Defined Benefit Plan

Stable benefit payments to over 128,000 retired public employees

## Defined Contribution Plan

Choice available to State and Local Government employees

## Voluntary Investment Program

PERAPlus 401(k) and 457 Plans



## Health Benefits Program

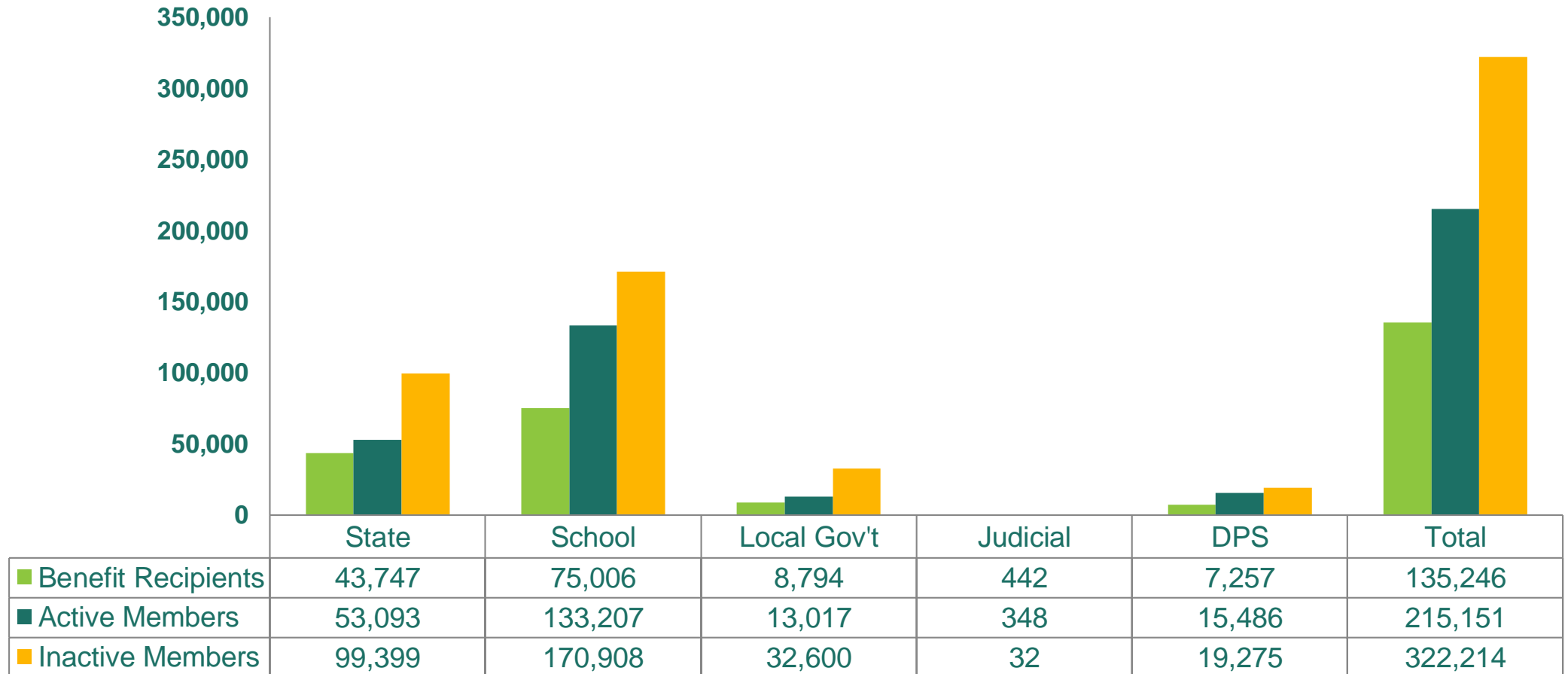
Active and retired member coverage



# PERA Provides for 1 in 10 Coloradans

*As of November 30, 2022*

**Total: 672,611**





ASSETS UNDER MANAGEMENT (FNP)

**\$66 billion**

(DIVISION TRUST FUNDS)



NET RATE OF RETURN

**16.1%**



MEMBERS ACTIVELY CONTRIBUTING TO PERA

**207,269**



EMPLOYERS

**409**



TOTAL COVERED PARTICIPANTS

(IN PERACARE HEALTH BENEFITS PROGRAM)

**59,568**



FUNDED STATUS

**67.8%**



RETIREES AND BENEFIT RECIPIENTS

**132,111**



ANNUAL RETIREMENT BENEFIT PAYMENTS

**\$5.0 billion**

(DIVISION TRUST FUNDS)



INVESTED IN COLORADO-BASED COMPANIES, PARTNERSHIPS, AND ASSETS

**\$898.9 million**



30-YEAR RATE OF RETURN

**9.0%**

(ANNUALIZED, GROSS-OF-FEES)

## 2021 in Review

Facts and Figures  
as of December 31,  
2021

# Funded Period Progress (In Years)

As of December 31

Division Trust Fund	2020 Funding Periods <sup>1</sup>	2021 Funding Periods <sup>1</sup>	2021 Projected Funding Periods <sup>2</sup>
State	33	23	16
School	43	26	16
Local Government	29	12	2
Judicial	13	7	3
Denver Public Schools (DPS)	16	9	2

<sup>1</sup>Funding periods are determined on a closed-group basis and shown as of prior and current valuation dates.

<sup>2</sup>Funding periods are determined on an open-group basis and shown as of the current valuation date only.

# Automatic Adjustment Provision

	Item	State Division	School Division	Local Government Division	Judicial Division	Denver Public Schools Division	Total Weighted Average
1	Unfunded actuarial accrued liability as of December 31, 2021 (\$ in millions)	\$9,780.3	\$16,083.6	\$654.4	\$68.8	\$608.8	\$27,195.9
2	Member contribution rate	11.08%	11.00%	9.01%	11.00%	11.00%	10.98%
3	Employer contribution rate	19.99%	19.80%	13.06%	23.33%	9.00%	19.47%
4	Actuarially determined employer contribution rate	20.71%	21.13%	9.20%	13.83%	6.77%	20.35%
5	Direct distribution rate						0.32%
6	Blended total contribution rate: <b>2 + 3 + 5</b>						30.77%
7	Blended total required contribution: <b>2 + 4</b>						31.33%
8	Ratio of blended total contribution rate to blended total required contribution: <b>6 ÷ 7</b>						<b>98.21%</b>



Automatic changes are triggered when the ratio of the Blended Total Contribution Rate to the Blended Total Required Contribution is less than 98% (or greater than 120%)

» As of December 31, 2021, this ratio is equal to 98.21%

# 2022 Legislation Concerning PERA

## » **HB22-1029: Compensatory Direct Distribution to PERA**

- The bill required a payment to PERA from the PERA Payment Cash Fund for \$380 million. This amount reflects the suspended direct distribution payment to PERA of \$225 million from July 1, 2020, plus \$155 million in order to reduce two future direct distributions. The future direct distribution payments will be reduced based on the interest that accrues from the initial \$380 million payment as follows:
  - for FY 2023-24 (July 1, 2023), the payment is reduced by an amount between \$155 million to \$190 million, resulting in a direct distribution payment amount between \$35 million to \$70 million; and
  - for FY 2024-25 (July 1, 2024), the payment is reduced by up to \$27.55 million, resulting in a direct distribution payment of no less than \$197.45 million, unless the actual rate of return is zero or less, in which case there may be no reduction.

## » **HB22-1087: Special District Director Retirement Benefits**

- This bill excludes special district board members who begin their service on or after July 1, 2022, from being eligible for membership in PERA.

## » **HB22-1057: PERA Employment After Teacher Retirement**

- This bill temporarily expands working after retirement provisions by removing the limitation on the number of days that qualified service retirees can work as substitute teachers without reduction in their retirement benefits.

## » **HB22-1101: PERA Service Retiree Employment In Rural Schools**

- This bill expanded and made permanent existing working after retirement provisions that allow qualified service retirees working in certain positions in rural school districts to be rehired and receive a salary without reduction in their retirement benefits.

# 2023 Introduced Legislation Concerning PERA

## » **HB23-1092: Limiting Use of State Money**

- The bill requires PERA to make investments solely on financial factors and prohibits investing in any entity with a stated purpose to further certain social, political, or ideological interests beyond what federal and state law require. It would also prohibit certain government contracts with entities that engage in economic boycotts and requires the State Treasurer to invest solely on financial factors.

## » **SB23-016: Greenhouse Gas Emission Reduction Measures**

- The bill includes several provisions meant to reduce greenhouse gas emissions in the state, along with the following two sections directly related to PERA.
  - **Section 2** requires the PERA board, on or before June 1, 2024, to adopt proxy voting procedures that ensure that the board's voting decisions align with, and are supportive of, the statewide greenhouse gas (GHG) emission reduction goals.
  - **Section 3** requires PERA to include as part of its annual investment stewardship report a description of climate-related investment risks, impacts, and strategies.

## » **SB23-056: Compensatory Direct Distribution to PERA**

- The bill requires the state to make an additional payment to PERA in an amount equal to \$35,050,000 that, along with payment required under HB22-1029, is meant to fully recompense PERA for the cancellation of a previously scheduled July 1, 2020, direct distribution of \$225 million.



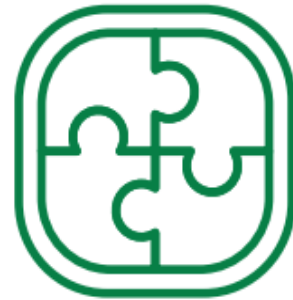
# Investing for the Future

Colorado PERA's overall approach to investment stewardship is straightforward: Seek out quality investments that are expected to provide the best risk-adjusted returns to PERA's portfolio over the long term. We break down this approach to financial sustainability into four parts:



## PROTECT

Protect members' interests by watching costs



## INTEGRATE

Integrate relevant factors into PERA's investment strategy



## ADVOCATE

Advocate for stronger markets



## EVALUATE

Evaluate exposures and recognize limitations

# PERA's Investment Program



INTERNAL AND EXTERNAL MANAGEMENT EXPENSES

**\$203.0 million**



ASSETS MANAGED IN-HOUSE BY PERA STAFF

**62%**



SAVINGS IN 2021 DUE TO INTERNAL INVESTMENT  
MANAGEMENT

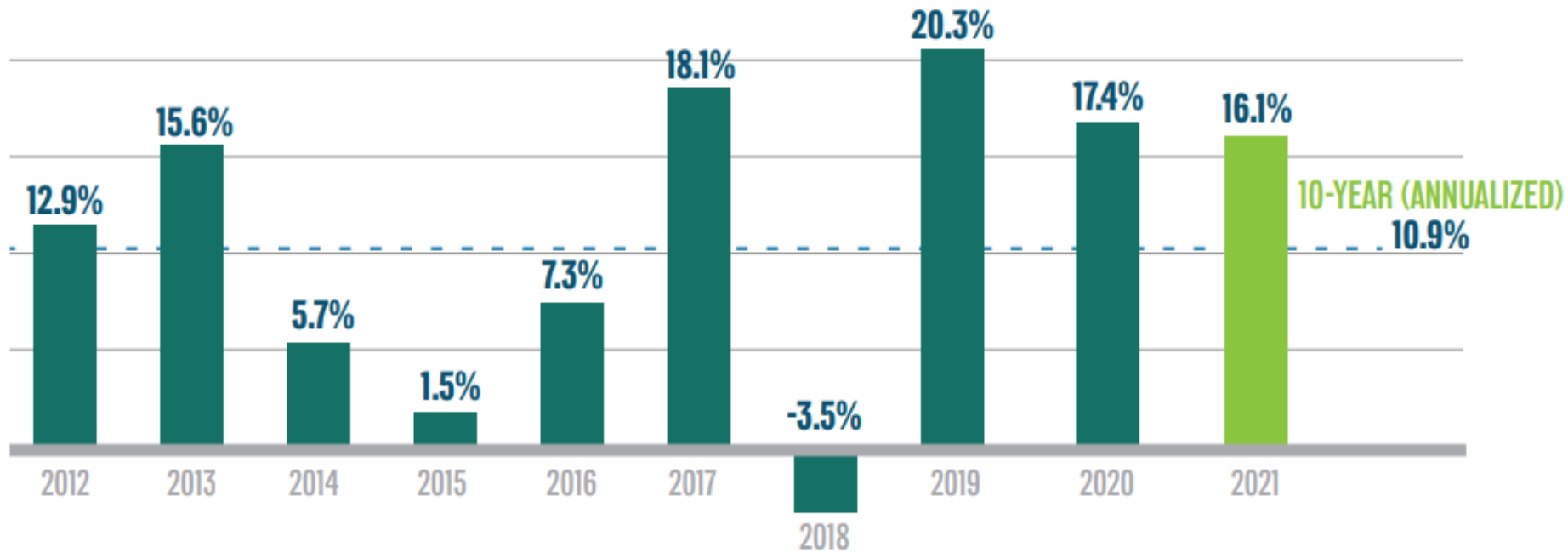
**\$65 million**



BASIS POINTS OF TOTAL ASSETS SPENT ON MANAGEMENT

**30.7**

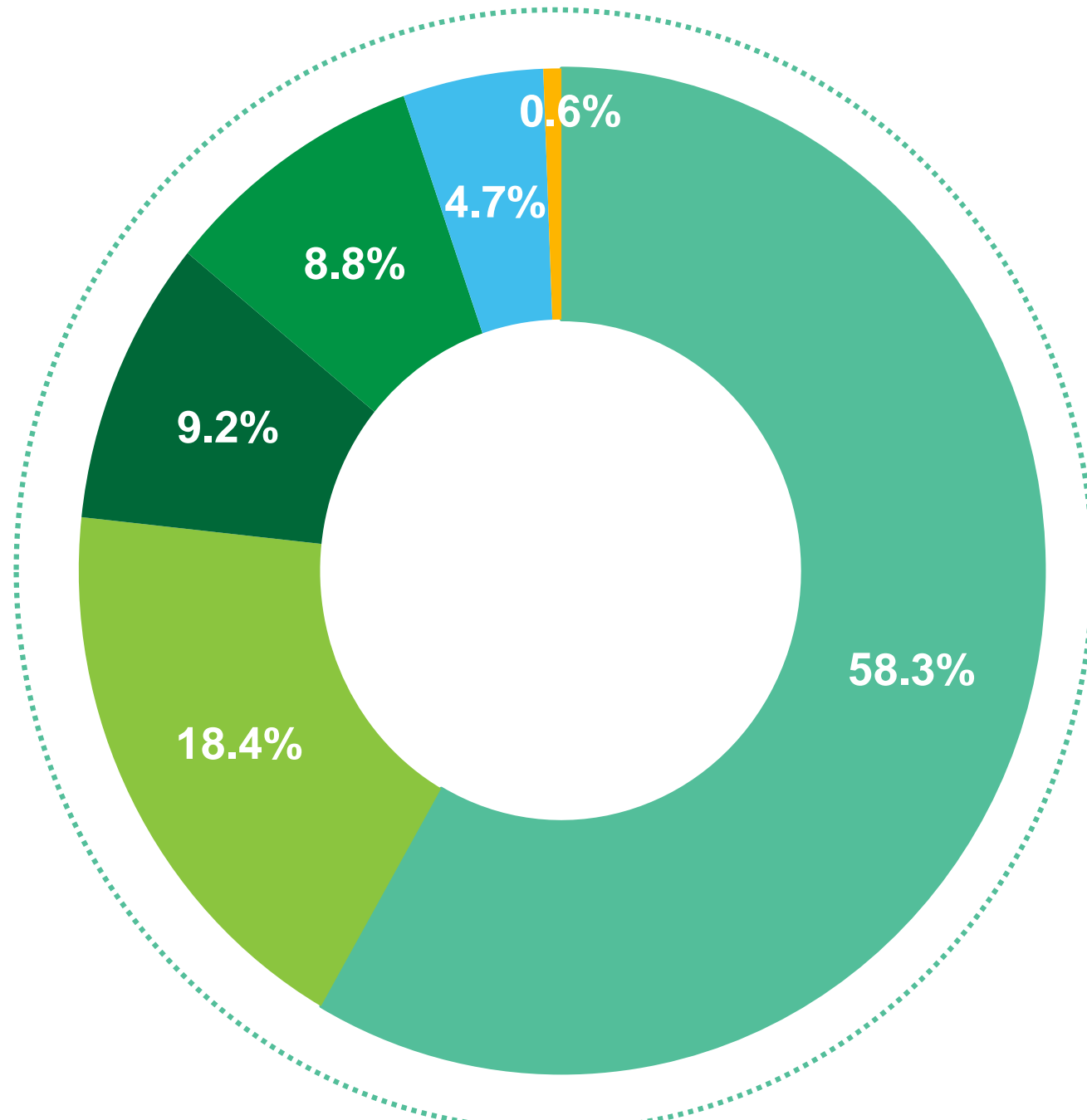
## RATES OF RETURN OVER 10 YEARS (NET-OF-FEES)



# 2021 Investment Performance

# PERA's Asset Allocation

As of December 31,  
2021



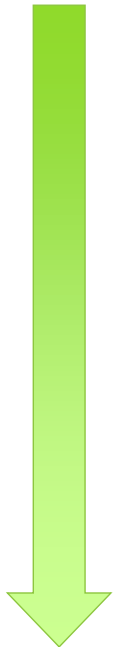
- Global Equity
- Fixed Income
- Private Equity
- Real Estate
- Alternatives
- Cash

# Market Performance: 2022 vs. 2021 Calendar Year

Oil and commodities moved higher but ended off intra-year highs

Stock and bond markets broadly sold off YTD

2022 Highest Performers



All returns are presented in unhedged USD terms

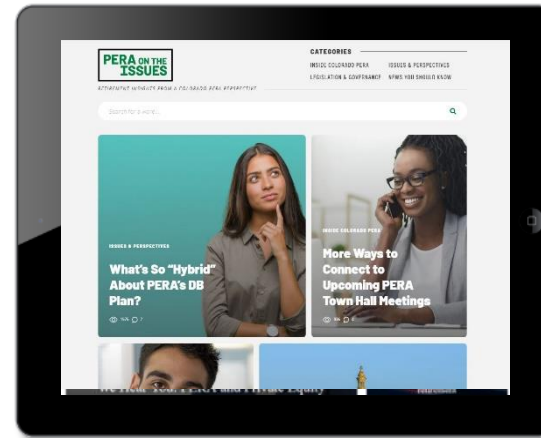
CPI-U YTD is as of previous month end (11/30/2022)

\*Combines the public markets asset class indices based on policy target weights. 70% Global Equity Custom Benchmark (MSCI ACWI IMI with USA Gross) and 30% Fixed Income Custom Benchmark (Bloomberg U.S. Aggregate)

# Stay in Touch



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