



Joint Finance Committee

January 18, 2022

Ron Baker, Executive Director

Amy C. McGarrity, Chief Investment 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

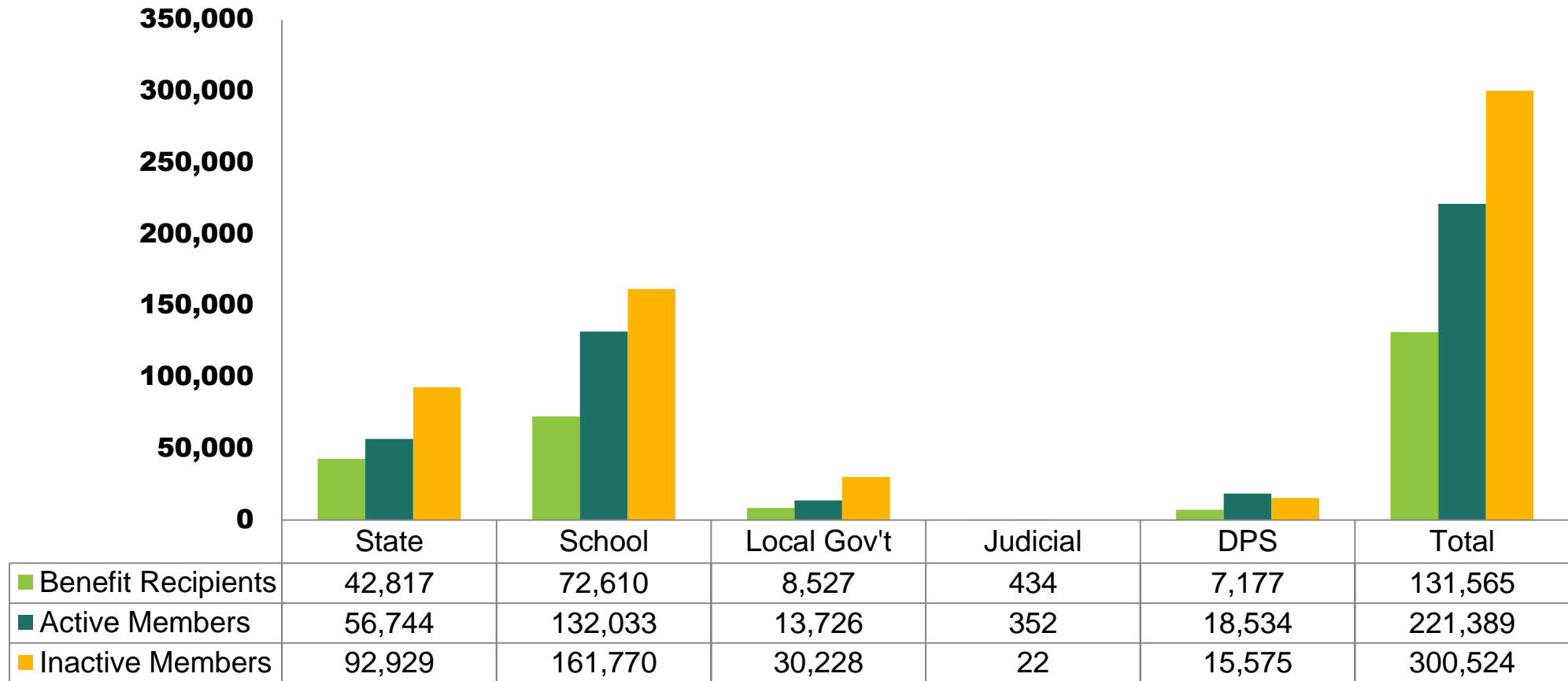
Active and retired member coverage



PERA Provides for 1 in 10 Coloradans

As of November 30, 2021

Total: 653,478



Recent Legislation Concerning PERA

» SB21-228: Public Employees' Retirement Association Payment Cash Fund

- This bill created the PERA Payment Cash Fund in the State Treasury and appropriated \$380 million to the fund for the 2020-21 state fiscal year. The State Treasurer is required to pay the General Fund portion of the direct distribution payment due to PERA on July 1, 2022, from the fund and, subject to annual appropriation, money in the fund may be used by the state for any employer contribution or disbursement to PERA.

» HB21-1136: Judicial Division Retirees Temporary Judicial Duties Compensation

- This bill added additional contract periods of 10, 20, and 30 days per year that retired judges may perform temporary judicial duties after retirement and receive a benefit increase equal to a percentage of the current monthly salary of judges serving in the same position held by the retiree at the time of retirement. It also removed the requirement that a judge must enter into such an agreement before retirement, or within five years after retirement, and adds certain conditions that would make those retired judges ineligible to enter into an agreement if met.



ASSETS UNDER MANAGEMENT (FNP)

\$58 billion

(DIVISION TRUST FUNDS)



NET RATE OF RETURN

17.4%



MEMBERS ACTIVELY CONTRIBUTING TO PERA

200,858



EMPLOYERS

410



TOTAL COVERED PARTICIPANTS

(IN PERACARE HEALTH BENEFITS PROGRAM)

59,794



FUNDED STATUS

62.8%



RETIREES AND BENEFIT RECIPIENTS

128,133



ANNUAL RETIREMENT BENEFIT PAYMENTS

\$4.8 billion

(DIVISION TRUST FUNDS)



INVESTED IN COLORADO-BASED COMPANIES, PARTNERSHIPS, AND ASSETS

\$808.4 million



30-YEAR RATE OF RETURN

9.1%

(ANNUALIZED, GROSS-OF-FEES)

2020 in Review

Summary of Valuation Highlights

» Effective Amortization Periods

Trust Fund	December 31, 2020	December 31, 2019
State Division	33 years	27 years
School Division	43 years	28 years
Local Government Division	29 years	22 years
Judicial Division	13 years	16 years
DPS Division	16 years	25 years

 Segal

» Asset Return

- Market value of assets returned approximately 17.4% for the year ended December 31, 2020

» Unfunded Actuarial Accrued Liability (UAAL)

- The actuarial accrued liability (AAL) increased from \$78.2 billion (as of December 31, 2019) to \$83.3 billion (as of December 31, 2020)
- The UAAL increased from \$29.8 billion to \$31.0 billion. The \$1.2 billion results from:
 - » Increase of \$5.1 billion due to change in the AAL, \$3.1 billion of which is due to the adoption of revised actuarial assumptions
 - » Decrease of \$3.9 billion due to change in the actuarial value of assets

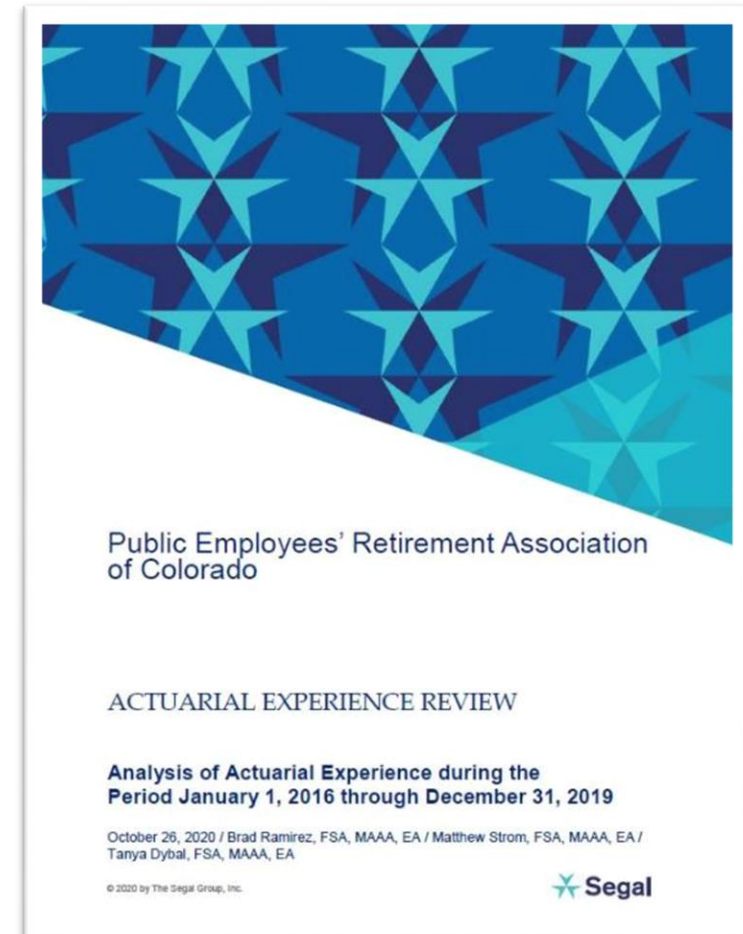
Experience Study: Periodic and Comprehensive Review

» Overview

- Purpose
- How assumptions are set
- Actuarial Assumptions: Economic and Demographic

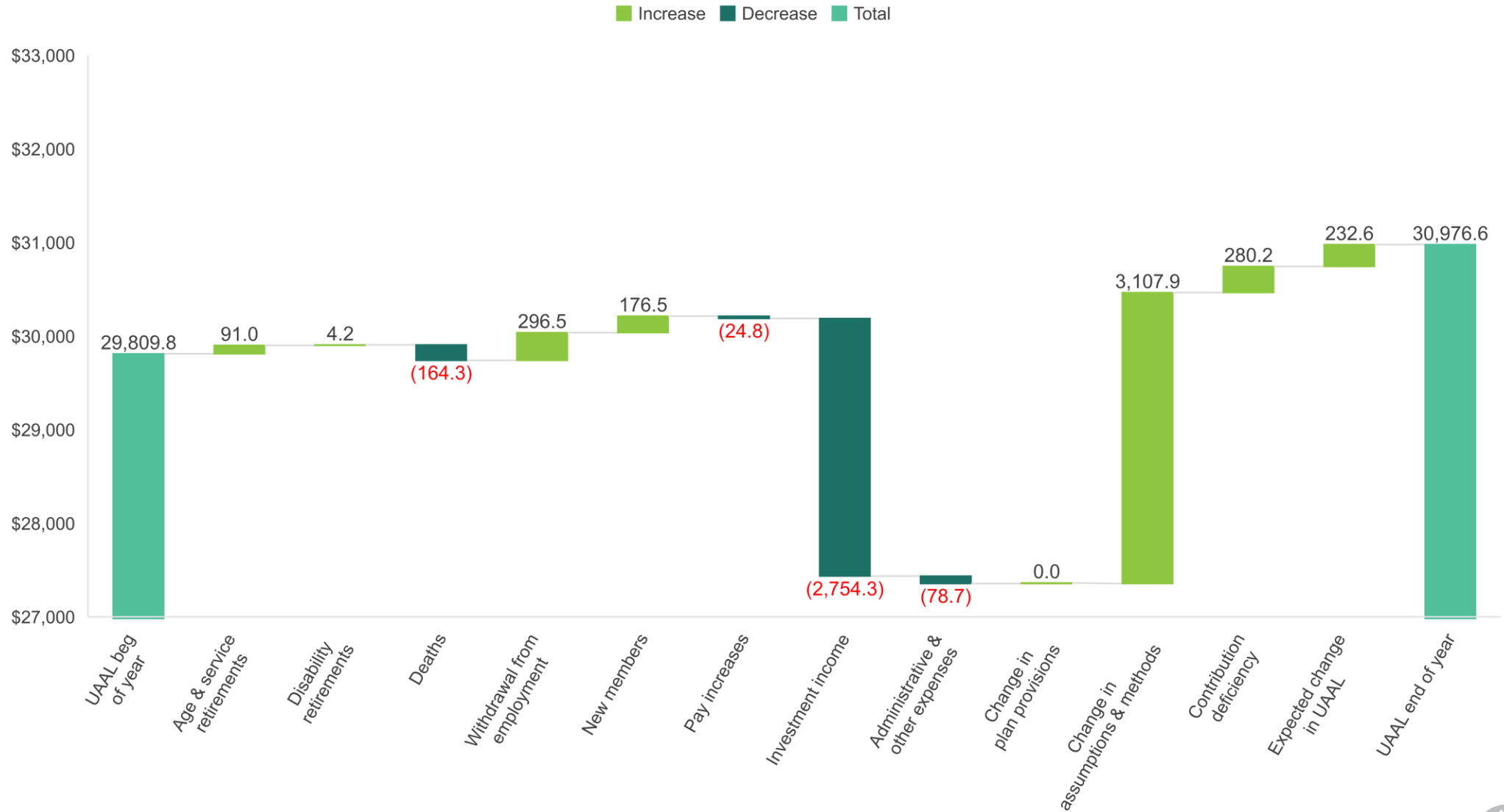
» Recent Board Action

- Adopted new assumptions
 - ✓ Mortality tables
 - ✓ Salary scale
 - ✓ Headcount growth



Reconciliation of UAAL

As of December 31, 2020



FUNDED STATUS

PROJECTED YEARS TO REACH FULL FUNDING
AFTER THE AUTOMATIC ADJUSTMENT PROVISION
TAKES EFFECT



2020 Financial Status

PERA's Investment Program



INTERNAL AND EXTERNAL MANAGEMENT EXPENSES

\$189.5 million



ASSETS MANAGED IN-HOUSE BY PERA STAFF

63%



SAVINGS IN 2020 DUE TO INTERNAL INVESTMENT
MANAGEMENT

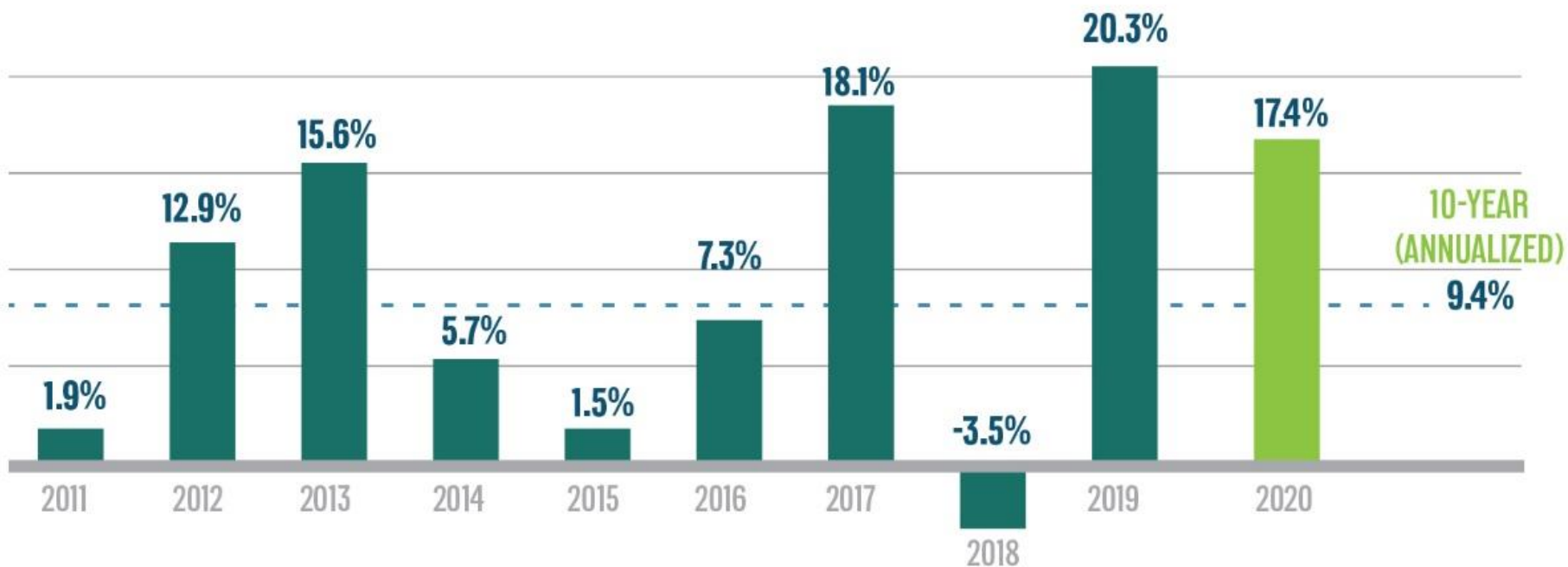
\$60 million



BASIS POINTS OF TOTAL ASSETS SPENT ON MANAGEMENT

32.3

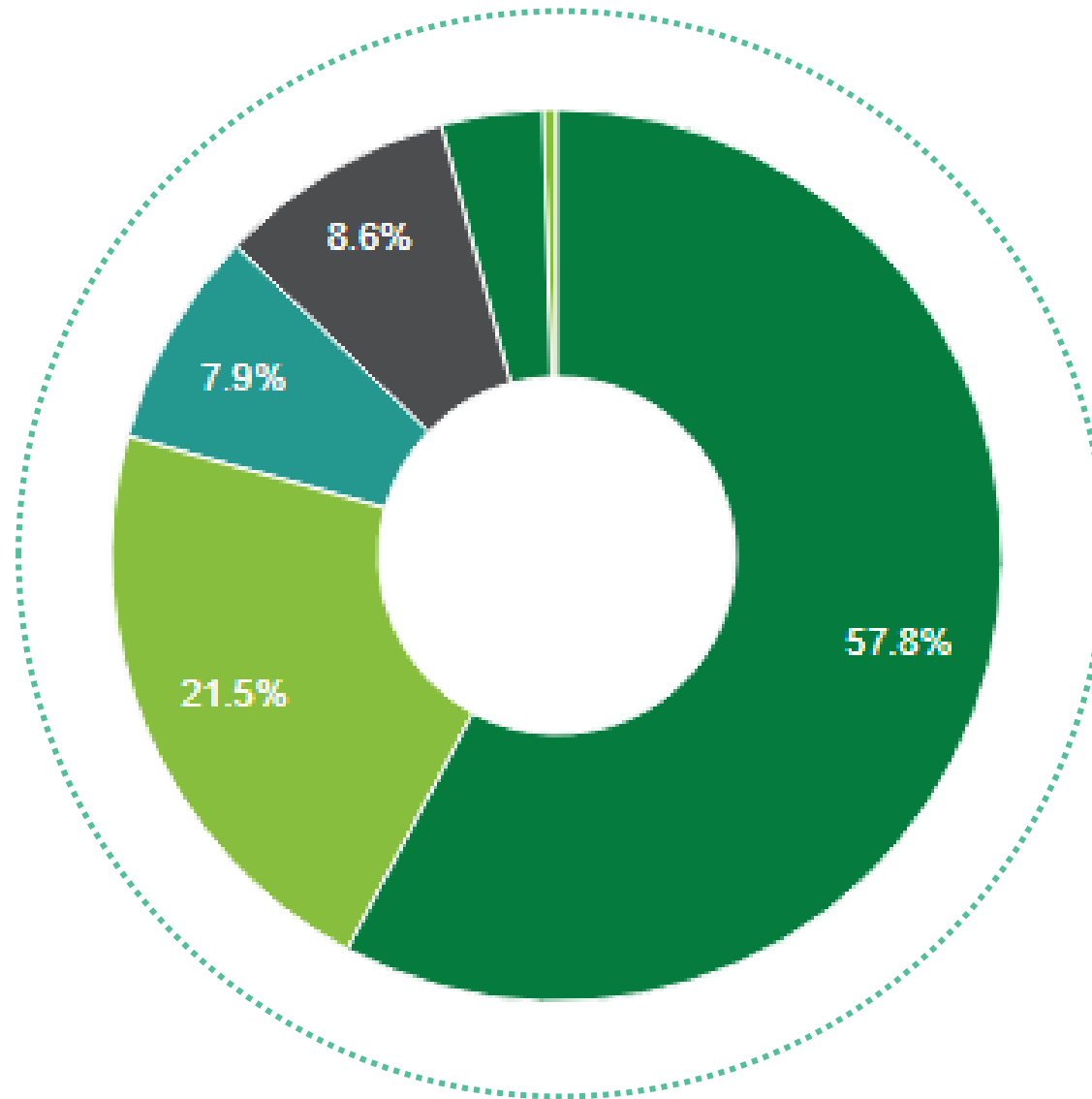
RATE OF RETURN OVER 10 YEARS (NET-OF-FEES)



2020 Investment Performance

PERA's Asset Allocation

As of December 31,
2020

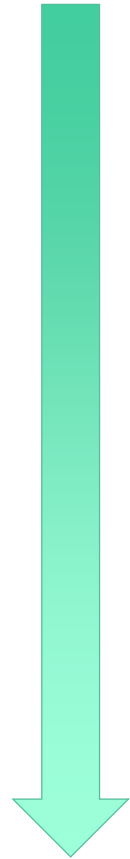


- Global Equity 57.8%
- Fixed Income 21.5%
- Private Equity 7.9%
- Real Estate 8.6%
- Alternatives 3.7%
- Cash 0.5%

Market Performance: 2021 and 2020 Calendar Years

“Risk assets” moved higher in 2021 with oil and commodities reversing course from 2020

2021 Highest Performers



All returns are presented in unhedged USD terms

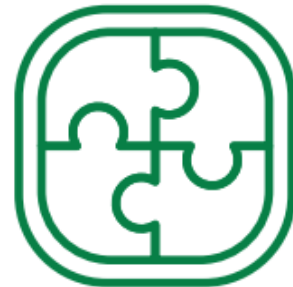
Investing for the Future

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

How PERA Limits Investment Costs to Maximize Returns



\$58.7 billion

Assets under management on behalf of PERA membership



63%

Assets managed in-house by PERA staff



\$190 million

Internal and external investment management expenses



\$60 million

Savings in 2020 due to the use of internal investment management

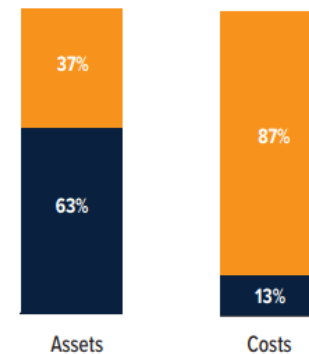
INTERNAL/EXTERNAL MONEY MANAGEMENT FEES

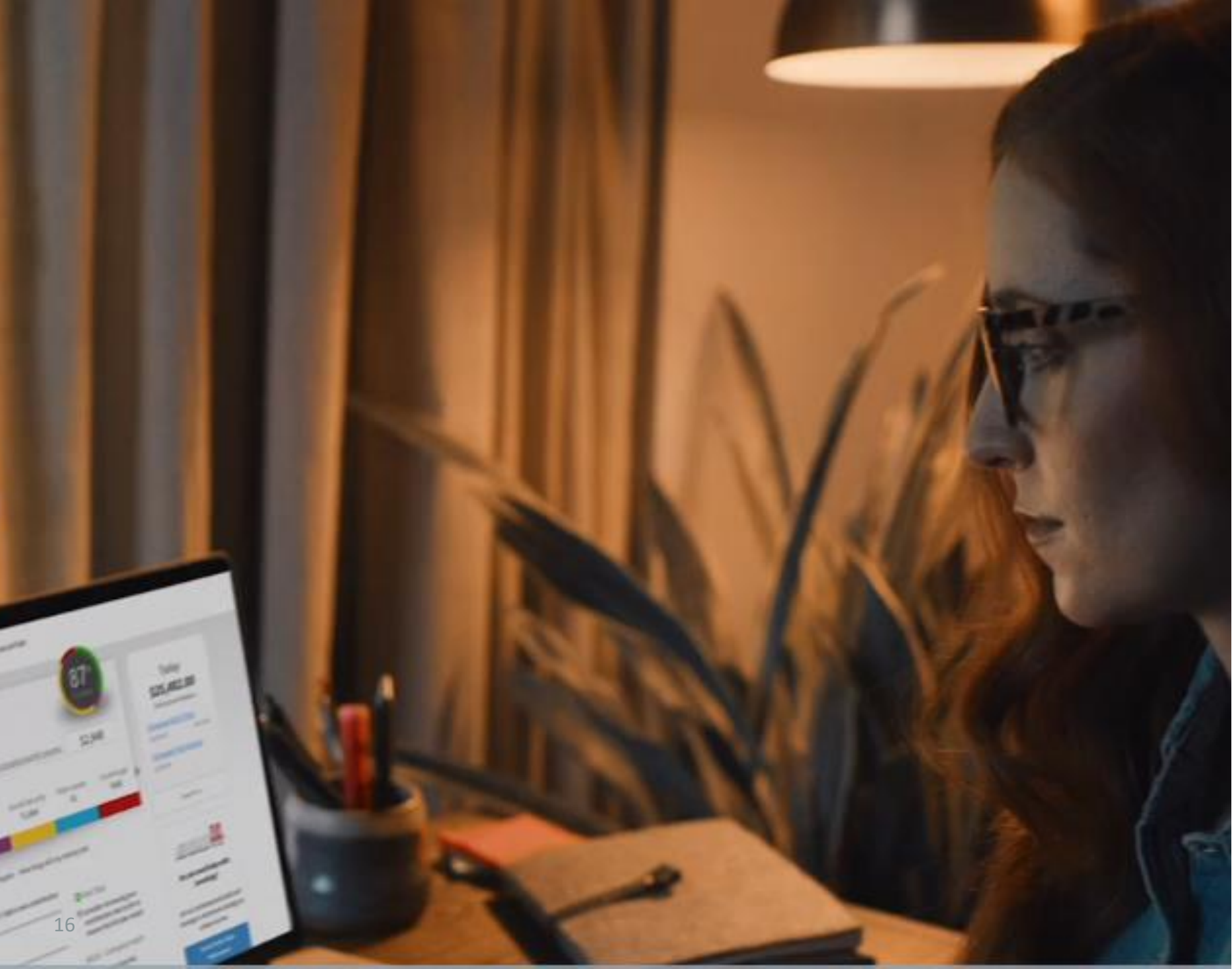
32.3

basis points of total assets spent on management

INTERNAL/EXTERNAL ASSETS AND COSTS

Internal External





Transition to Empower





PERACARE

**Health Care
for Retirees**

Legislative Agenda

No active legislative agenda items for 2022 have been identified



What to Expect in 2022

» Actuarial Audit

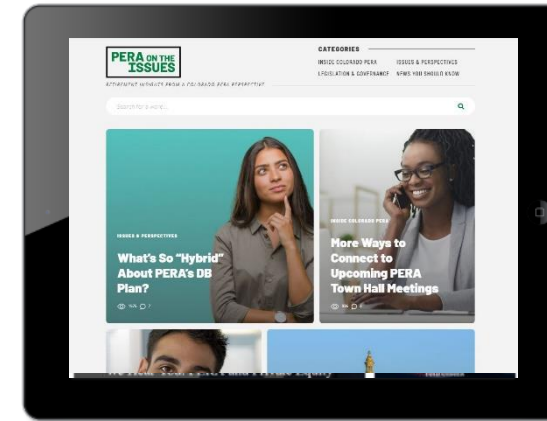
- Timing & Purpose

» Survey of PERA Membership

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