

LEADING | Lasting CHANGE | Security



Presentation to the Pension Review Commission
Ron Baker, Interim 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**

Purpose

To provide retirement and other benefits to current and former public employees who provide valuable services to all of **Colorado**

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 Retirement Programs

Voluntary Investment Program

PERAPlus
401(k) and 457
Plans



Defined Benefit Plan

Stable benefit payments to 115,000 retired public employees

Defined Contribution Plan

Choice available to State and Local Government employees

Health Benefits Program

Active and retired member coverage



PERA Financial Recap

\$43,690,869 net position as of December 31, 2016

December 2017 (in thousands of dollars; does not include defined contribution plans)

Contributions \$2,433,016		Investments \$7,694,263		Benefits Paid (\$4,823,132)	
Employer – Pension – Regular	\$768,317	Net Change in Fair Value	\$6,749,932	Pension Benefits	(\$4,458,990)
Employer – Pension – AED	\$374,531	Interest	\$307,108	Health Care Benefits	(\$108,359)
Employer – Pension – SAED	\$392,818	Dividends	\$528,977	Disability/Life Insurance	(\$6,604)
Employer – Health Care	\$90,007	Real Estate/Opportunity Fund/ Private Equity	\$272,097	Refunds	(\$158,147)
Member	\$706,499	Securities Lending	\$8,950	Other	(\$30,321)
Purchased Service	\$67,454	Investment Expense	(\$172,801)	Administrative Expense	(\$60,711)
Other Additions	\$32,231				
Employer Disaffiliation	\$1,159				

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

PERA Stabilizes Colorado's Economy

PERA provides

\$3.8 billion

in retirement
distributions to

98,332



Colorado residents



PERA retirement distributions result in



\$6.1 billion



in total economic output

And help sustain

32,807 jobs



The economic
impact to
state/local
governments
amounts to



\$271 million

in tax revenue, which
supports schools, roads,
and other important services

Creates
**\$1.56
billion**

in labor
income



Adds

\$2.78 billion

to the total value of
goods and services
in Colorado



PERA's Governance Structure



Board of Trustees

Oversees investments, benefits administration, and monitors actuarial assumptions and performance



General Assembly

Sets benefit and contribution structure. Oversight committees: LAC, JBC, Joint Finance (SMART) and new Pension Review Commission Subcommittee

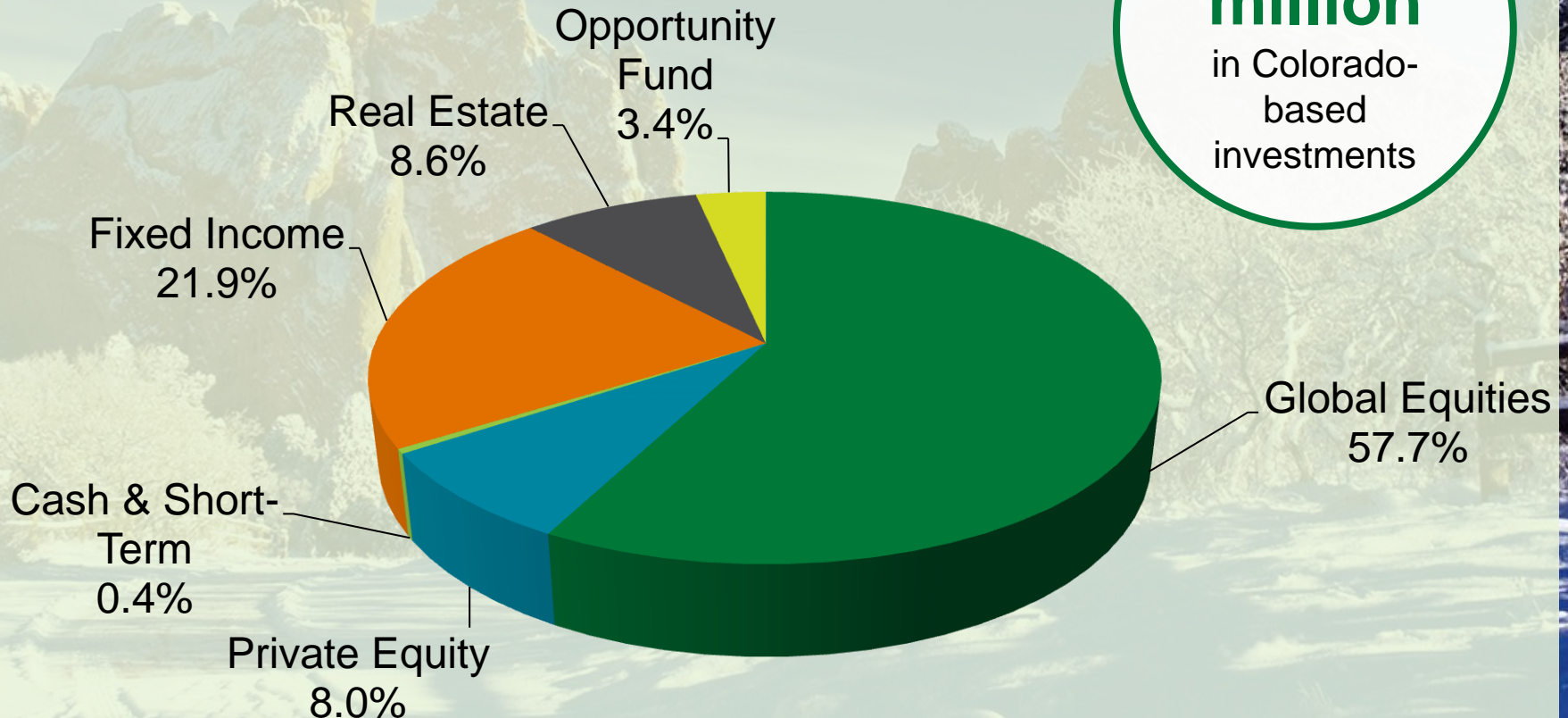
Investment Asset Allocation

\$49 Billion Market Value

As of December 31, 2017

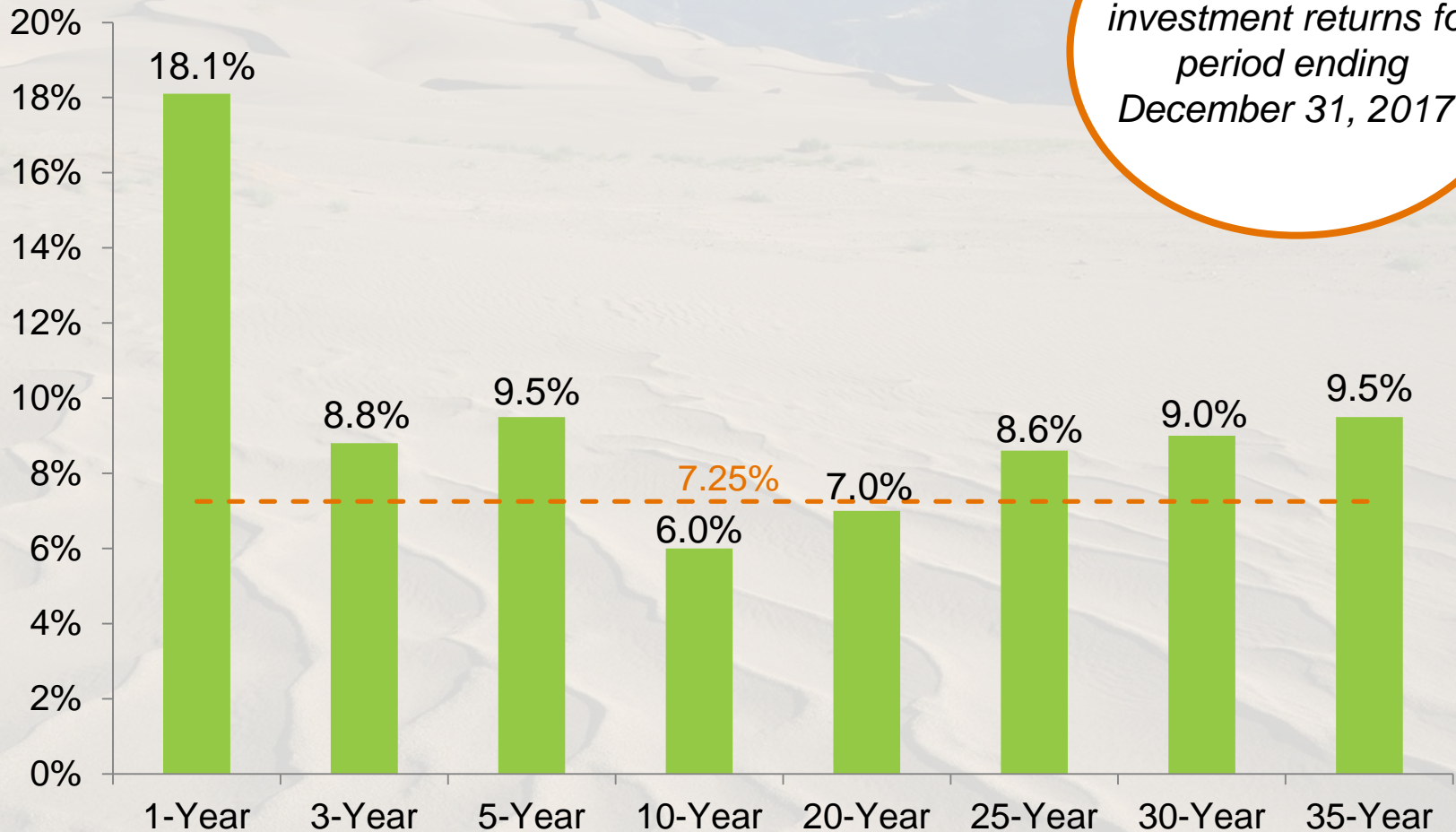
**\$515
million**

in Colorado-
based
investments



Investing for Long Term

*Annualized
investment returns for
period ending
December 31, 2017**



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

High Performance, Low Cost

\$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

All figures are as of December 31, 2017

Hybrid Defined Benefit Plan

Contributions

(Employee +
Employer)



**Investment
Income**



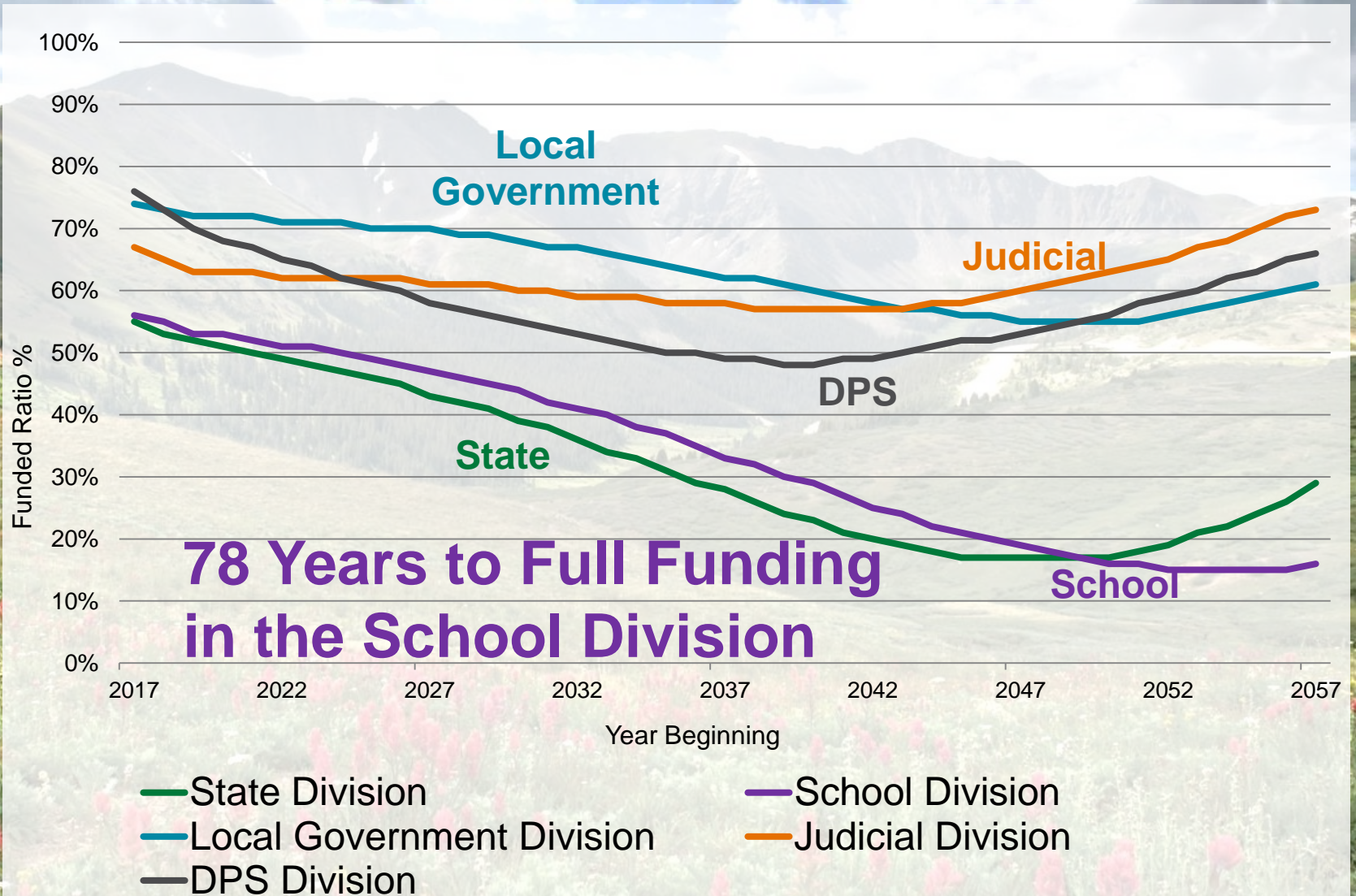
**Benefits
Paid**

(Minus
expenses)

Retirement Options

Members qualify for lifetime monthly income in retirement, or have complete portability prior to retirement upon termination of employment

Where We Were 2016 Funding Levels



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**



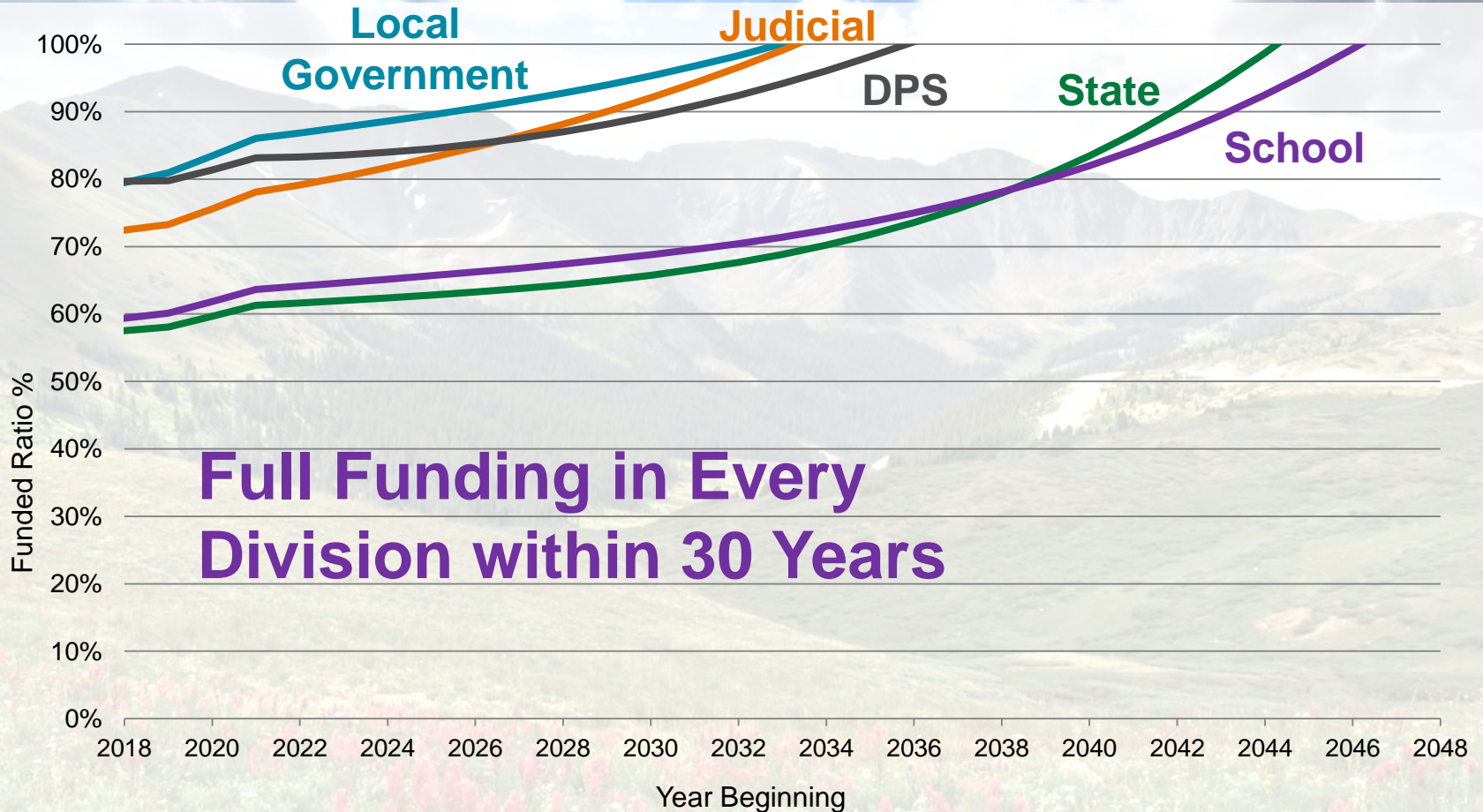
**Automatic Adjustment
Provision**

Impact of SB200

AMOUNT OF TIME PROJECTED TO FULL FUNDING

State Division	27 years
School Division	30 years
Local Government Division	15 years
Judicial Division	15 years
Denver Public Schools Division	17 years

Post SB200 Funding Levels



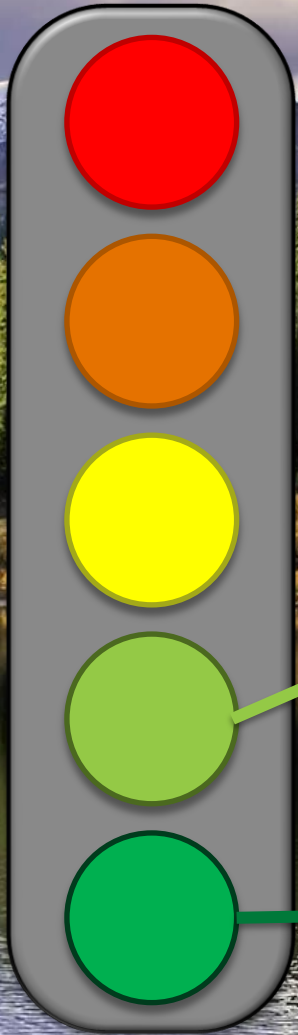
- State Division
- Local Government Division
- DPS Division
- School Division
- Judicial Division

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

Lowering the Liability

2016

\$32.2 BILLION
in unfunded liability

 Without
Senate Bill 18-200

 With
Senate Bill 18-200

2017

\$33.6 BILLION
in unfunded liability

2017

\$28.8 BILLION
in unfunded liability


**Increase in
unfunded liability**

\$1.4 BILLION


**Reduction in
unfunded liability**

\$3.4 BILLION


2017 Financials



SB 18-200 significantly reduced liability and the number of years to reach full funding



All five Division Trust Funds projected to reach full funding within 30 years from this year's valuation



Signal Light results are all in green

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