

PERAtour



PERA**tour**

Agenda

- A review of our **principles, priorities, and process**
- An update on PERA's **funding status**
- An overview of the Board's **recommended package**
- **Q&A**

Our Process

SEP 2016 thru
JAN 2017



PERA Board
Assessment

MAR 2017 thru
AUG 2017



Community
Education
and Discussion

SEP 2017 thru
OCT 2017



Recommendations
Developed

OCT 2017 thru
DEC 2017



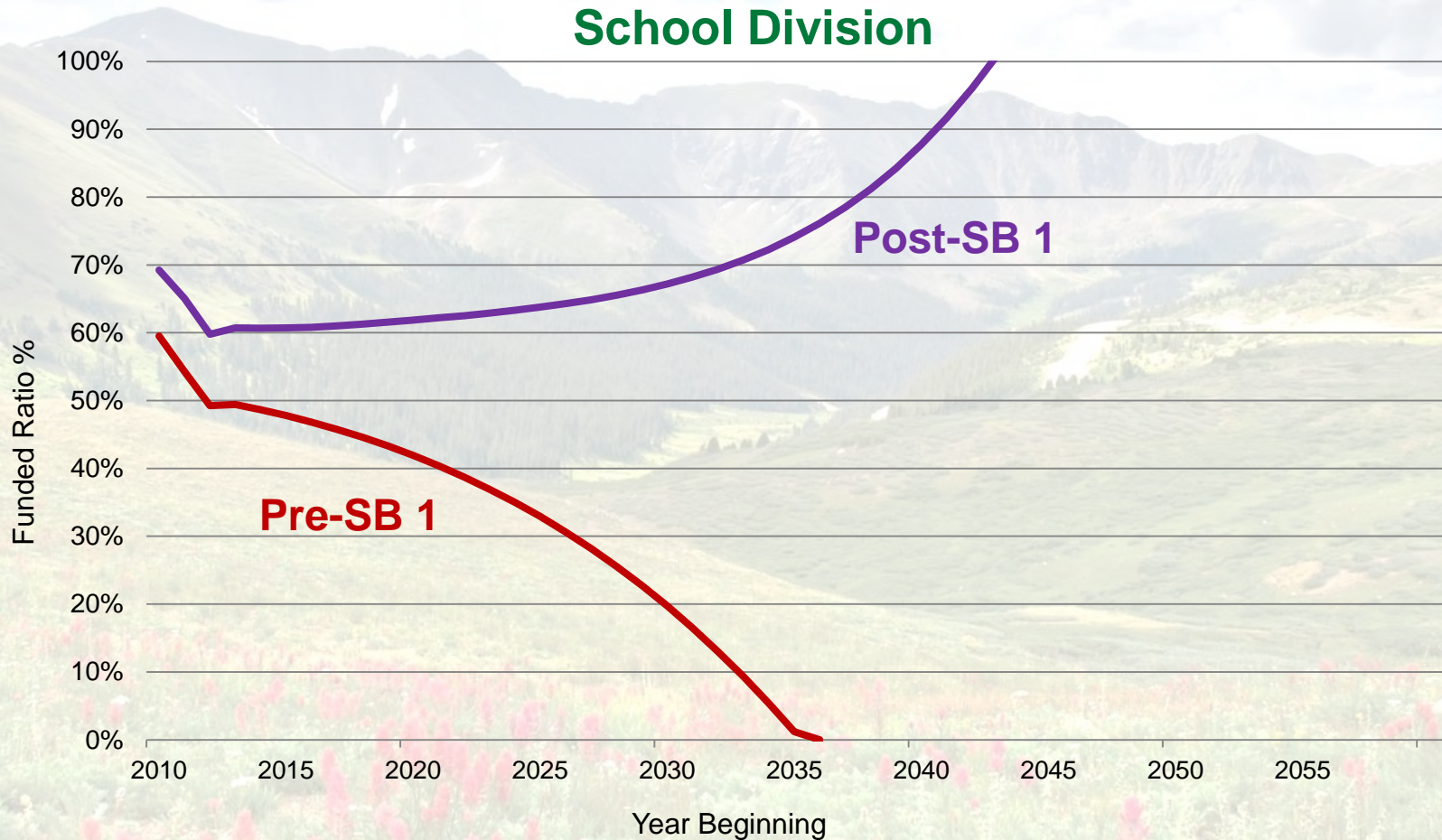
Community
Review

JAN 2018 thru
MAY 2018



Action

Where We Were



— A1 [Pre-SB 1, Projections as performed in 2010 at an 8.0% discount rate and assumed LTROR, Run at 12/31/2009]

— A3 [Post-SB 1, Projections as performed in 2010 at an 8.0% discount rate and assumed LTROR, Run at 12/31/2009]

What Changed Since SB-1?

Adopted New Mortality Tables

- **What happened?** Life expectancy is increasing and the plan must reflect those realities
- **What's the impact?** PERA is paying retirement benefits longer
- Increased period to full funding by **5-20 years**

Lowered Investment Rate of Return

- **What happened?** Changed rate of return from 7.5% to 7.25%
- **What's the impact?** PERA is not expected to generate as much investment income as previously projected
- Increased period to full funding by **10-15 years**

What is the Impact of Those Changes?

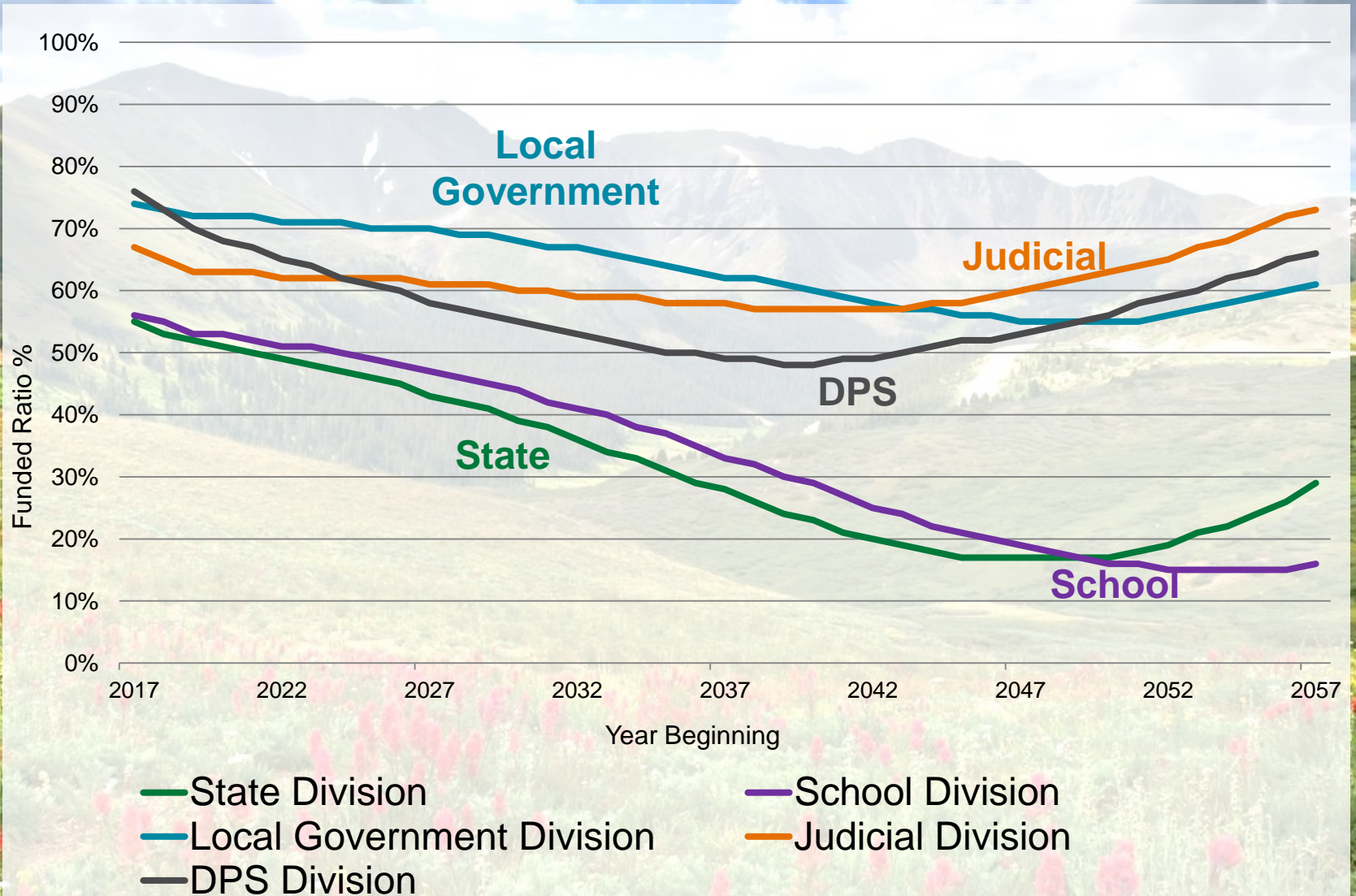
Years to Full Funding Longer Than Desired

- **58 years** to fully funded status in State Division
- **78 years** to fully funded in School Division

Outside Funding Policy & Tolerable Risk Profile

- General Assembly statutory standard of **30 years**
- Board policy is a **30-year** funding period
- Funded ratio graph unacceptable
- Resilience levels too low

Current Funding Levels



40-year projection of funded ratio on actuarial asset value based on December 31, 2016, valuation results

The PERA Board's Recommended Package



Align Contributions with Benefits

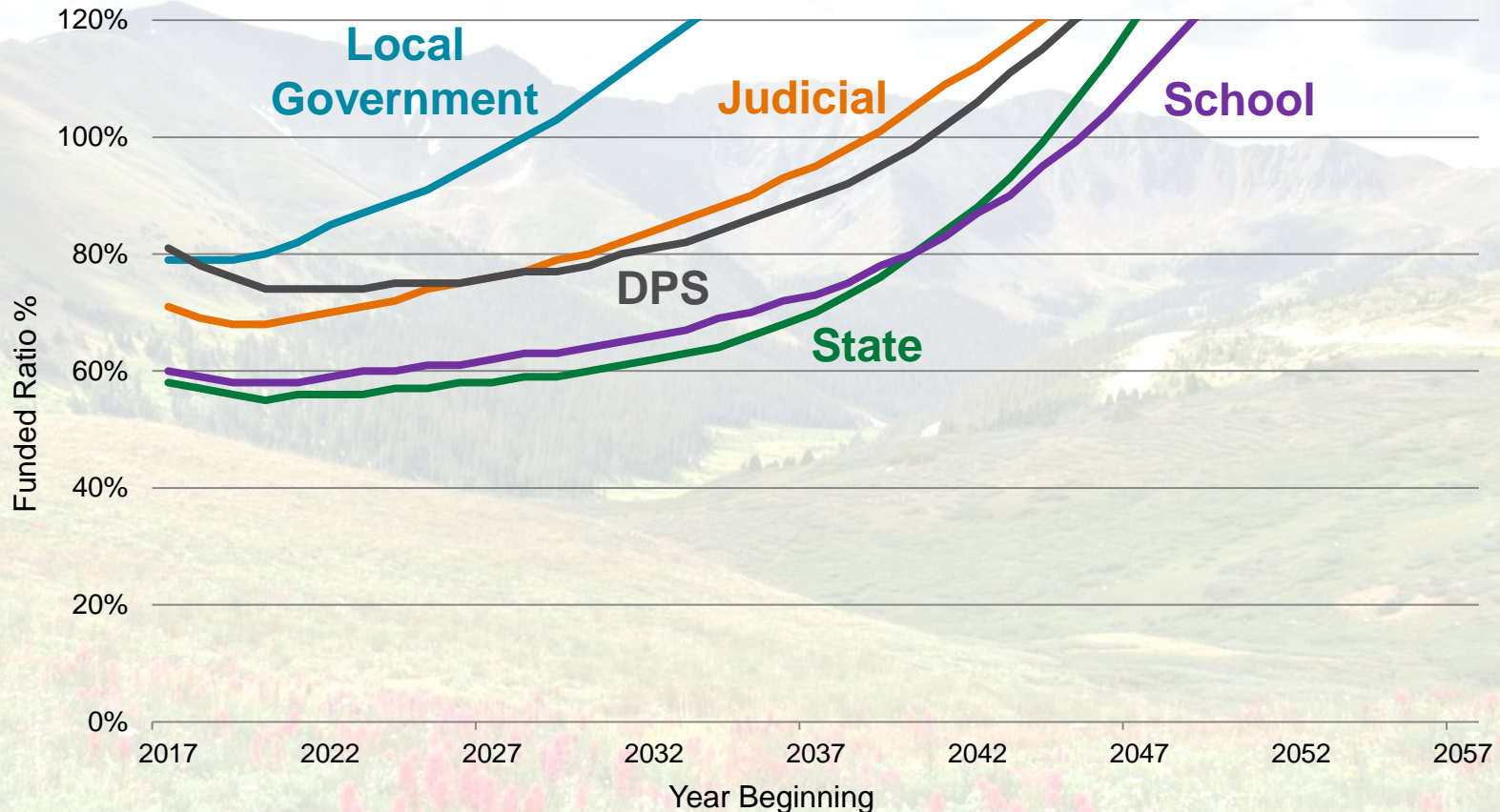


Increase Contributions



Modify Benefits

Where We Want To Be



— State Division

— Local Government Division

— DPS Division

— School Division

— Judicial Division



Align Contributions with Benefits

Changes effective January 1, 2020

Redefine PERA-includable salary
from net pay to gross pay

- ✓ **Current Members**
- ✓ **Future Members**
- ✓ **Employers**



Align Contributions with Benefits

Changes effective January 1, 2020

Change service credit accrual
standard for part-time work



Future Members



Increase Contributions

Changes effective January 1, 2020

Increase member and working retiree contribution rates by an additional 3% of pay



Current Members



Increase Contributions

Changes effective January 1, 2020

Increase member and working retiree contribution rates by an additional 2% of pay for new hires



Future Members



Increase Contributions

Changes effective January 1, 2020

Increase employer contribution rates by an additional 2% of pay

✓ **Employers**



Modify Benefits

Changes effective January 1, 2020

Increase eligibility for full service retirement to age 65 for most divisions



Future Members



Modify Benefits

Changes effective January 1, 2020

Increase HAS calculation from
3 years to 5 years

✓ **Non-Vested Members**

✓ **Future Members**



Modify Benefits

Changes effective immediately after legislation is signed into law

Reduce the Annual Increase from
a cap of 2% to a cap of 1.5%

- ✓ **Current Members**
- ✓ **Future Members**
- ✓ **Current Retirees**



Modify Benefits

Changes effective immediately after legislation is signed into law

Suspend the Annual Increase
for 2 years



Current Retirees



Modify Benefits

Changes effective immediately after legislation is signed into law

Change the Annual Increase
waiting period from
1 year to 3 years

✓ **Current Members**

✓ **Future Members**

Automatic Adjustment Provision



Triggered when PERA is out of alignment with funding progress

- Contributions
- Annual Increase

Necessary Sacrifices, Shared Responsibility

These changes are not easy

Every stakeholder is impacted

Cost of changes:

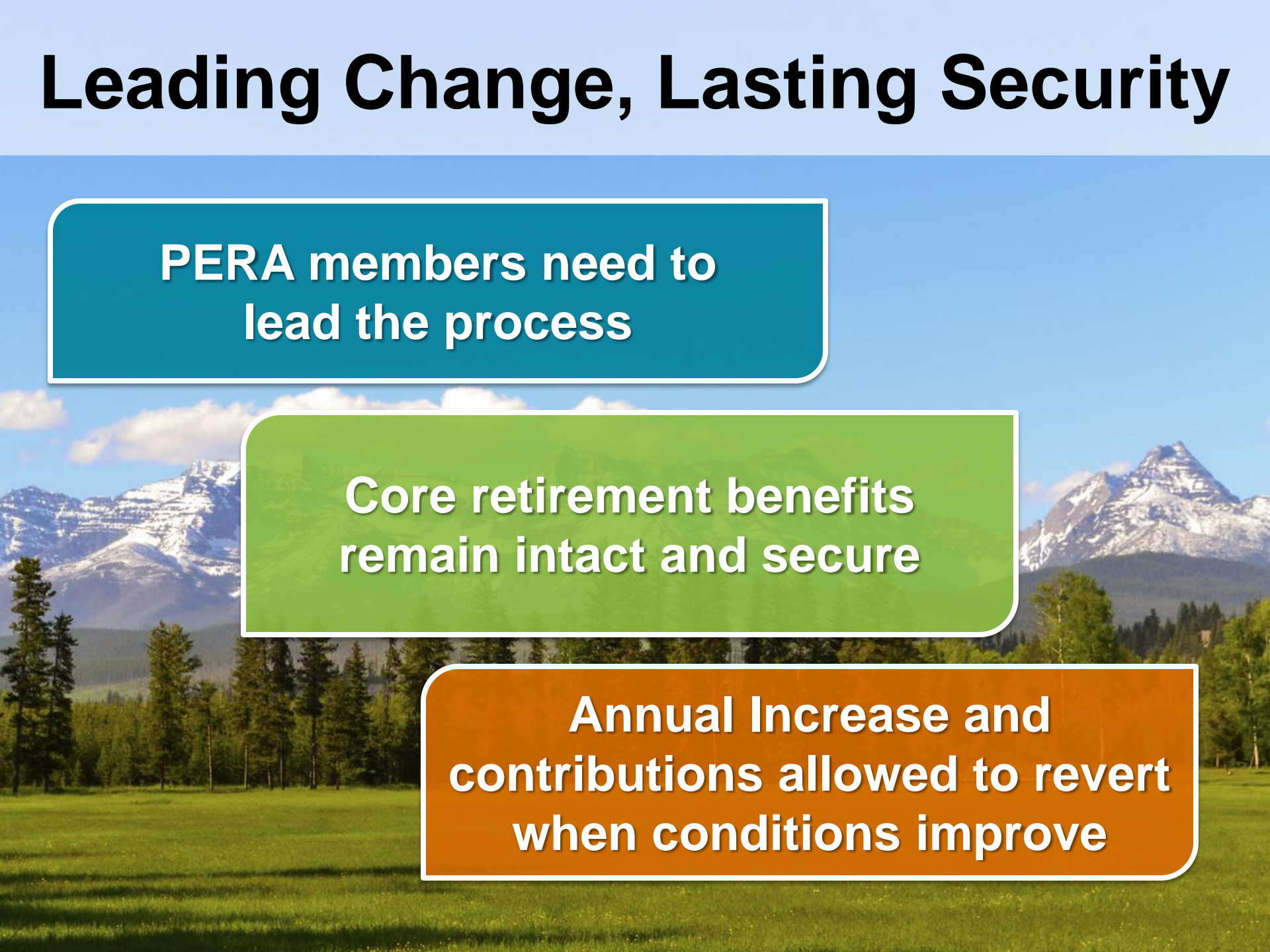
18%
from retirees

19%
from employers

63%
from current and
future members

If we do not make these changes, PERA's
resilience remains too low, risk too high,
and future too unstable

Leading Change, Lasting Security



**PERA members need to
lead the process**

**Core retirement benefits
remain intact and secure**

**Annual Increase and
contributions allowed to revert
when conditions improve**

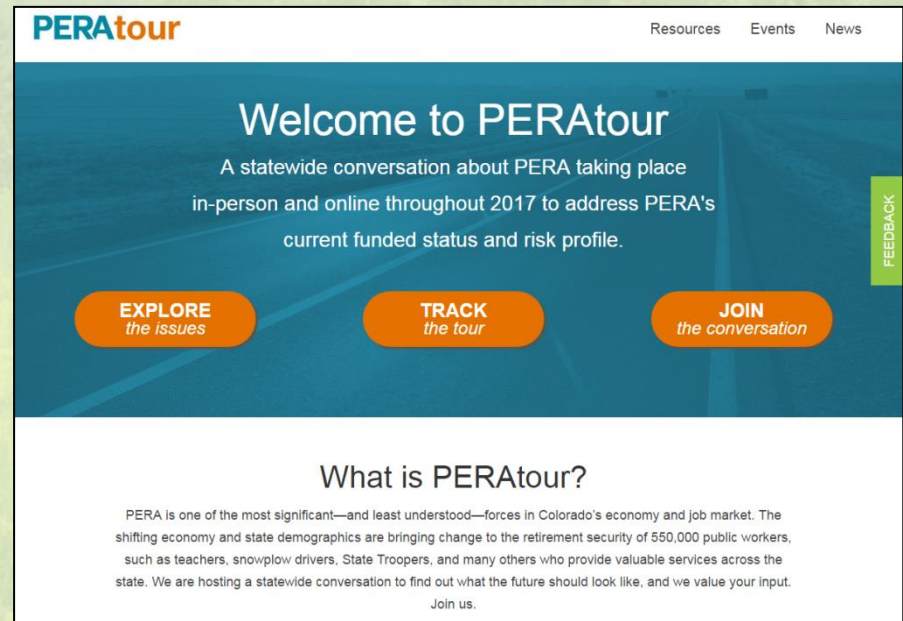
Join the Conversation

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The screenshot shows the PERAtour website homepage. At the top left is the PERAtour logo. On the top right are navigation links for Resources, Events, and News. The main heading is "Welcome to PERAtour" followed by a sub-heading: "A statewide conversation about PERA taking place in-person and online throughout 2017 to address PERA's current funded status and risk profile." Below this are three orange buttons: "EXPLORE the issues", "TRACK the tour", and "JOIN the conversation". On the right side, there is a vertical green button labeled "FEEDBACK". Below the buttons is a section titled "What is PERAtour?" with a paragraph of text explaining PERA's role in Colorado's economy and job market, and a "Join us." link.

PERAtour Resources Events News

Welcome to PERAtour

A statewide conversation about PERA taking place in-person and online throughout 2017 to address PERA's current funded status and risk profile.

[EXPLORE the issues](#) [TRACK the tour](#) [JOIN the conversation](#)

[FEEDBACK](#)

What is PERAtour?

PERA is one of the most significant—and least understood—forces in Colorado's economy and job market. The shifting economy and state demographics are bringing change to the retirement security of 550,000 public workers, such as teachers, snowplow drivers, State Troopers, and many others who provide valuable services across the state. We are hosting a statewide conversation to find out what the future should look like, and we value your input.

[Join us.](#)