

October–November 2009



# Shareholder Meeting

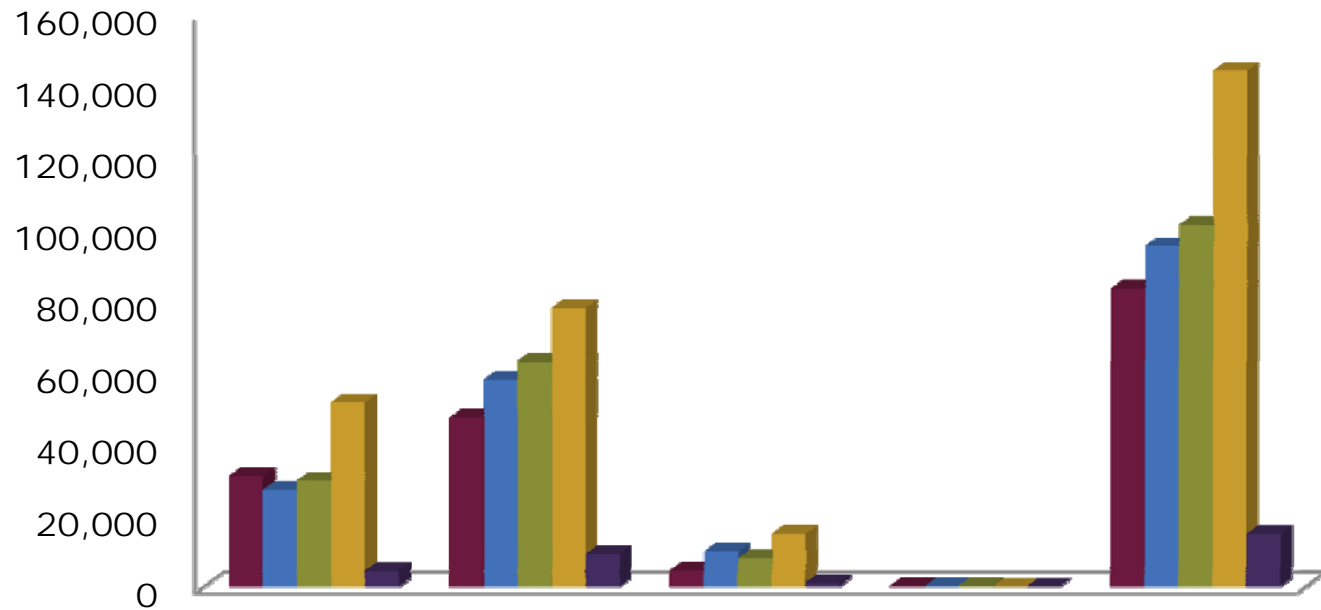
## **Colorado PERA's Mission Statement**

To promote long-term financial security for our membership while maintaining the stability of the fund.

# Members and Benefit Recipients

*August 31, 2009*

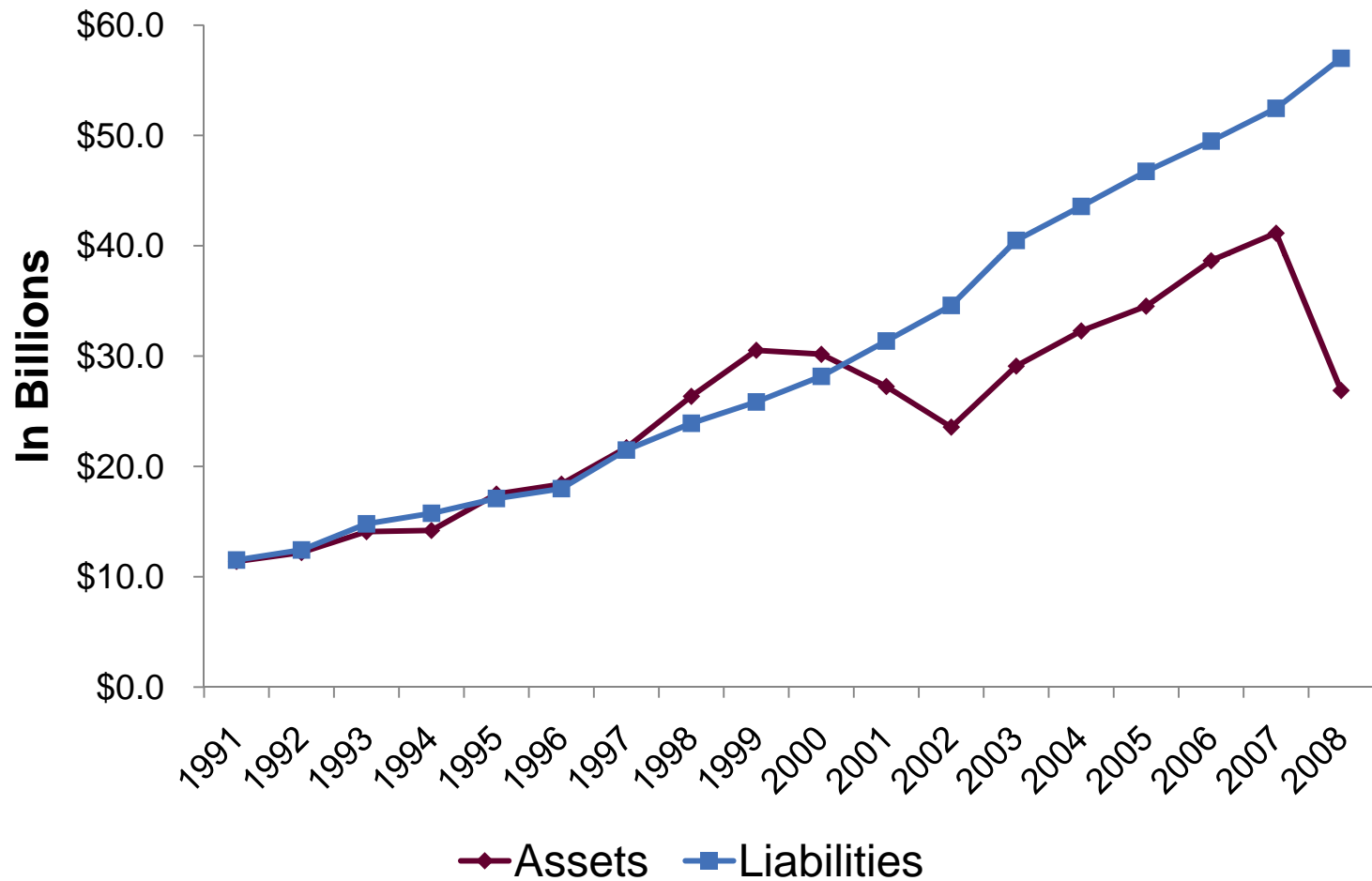
Total: 438,786



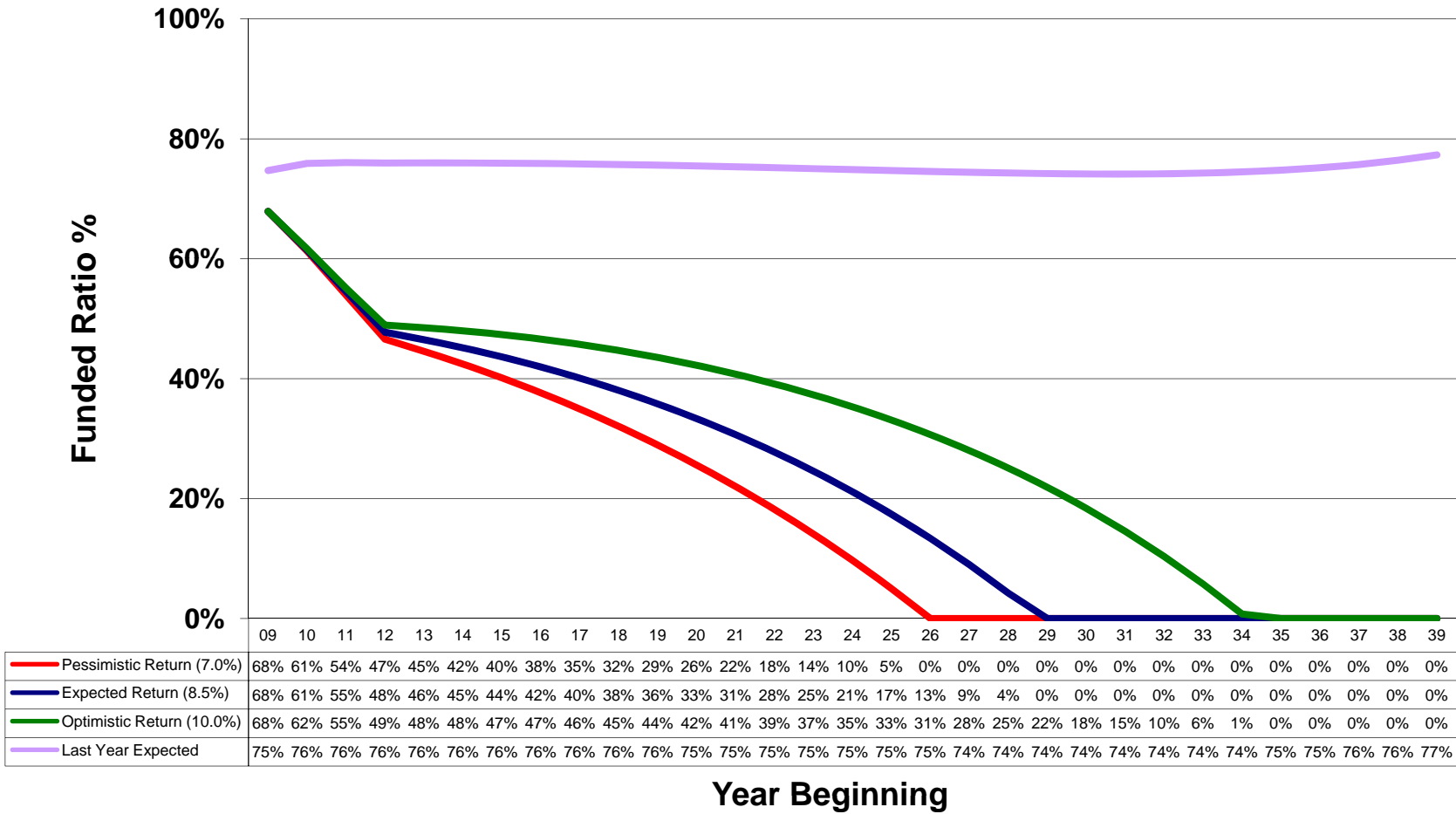
	State	School	Local Gov't	Judicial	Total
■ <b>Benefit Recipients</b>	31,067	47,381	4,574	290	83,312
■ <b>Active Mbrs. Non-Vested</b>	27,228	57,959	9,889	77	95,153
■ <b>Active Mbrs. Vested</b>	29,762	62,983	8,080	235	101,060
■ <b>Inactive Mbrs. Non-Vested</b>	51,613	77,797	14,944	6	144,360
■ <b>Inactive Mbrs. Vested</b>	4,453	9,306	1,134	8	14,901

# PERA Assets vs. Liabilities

*Market Value as of December 31 for each year*

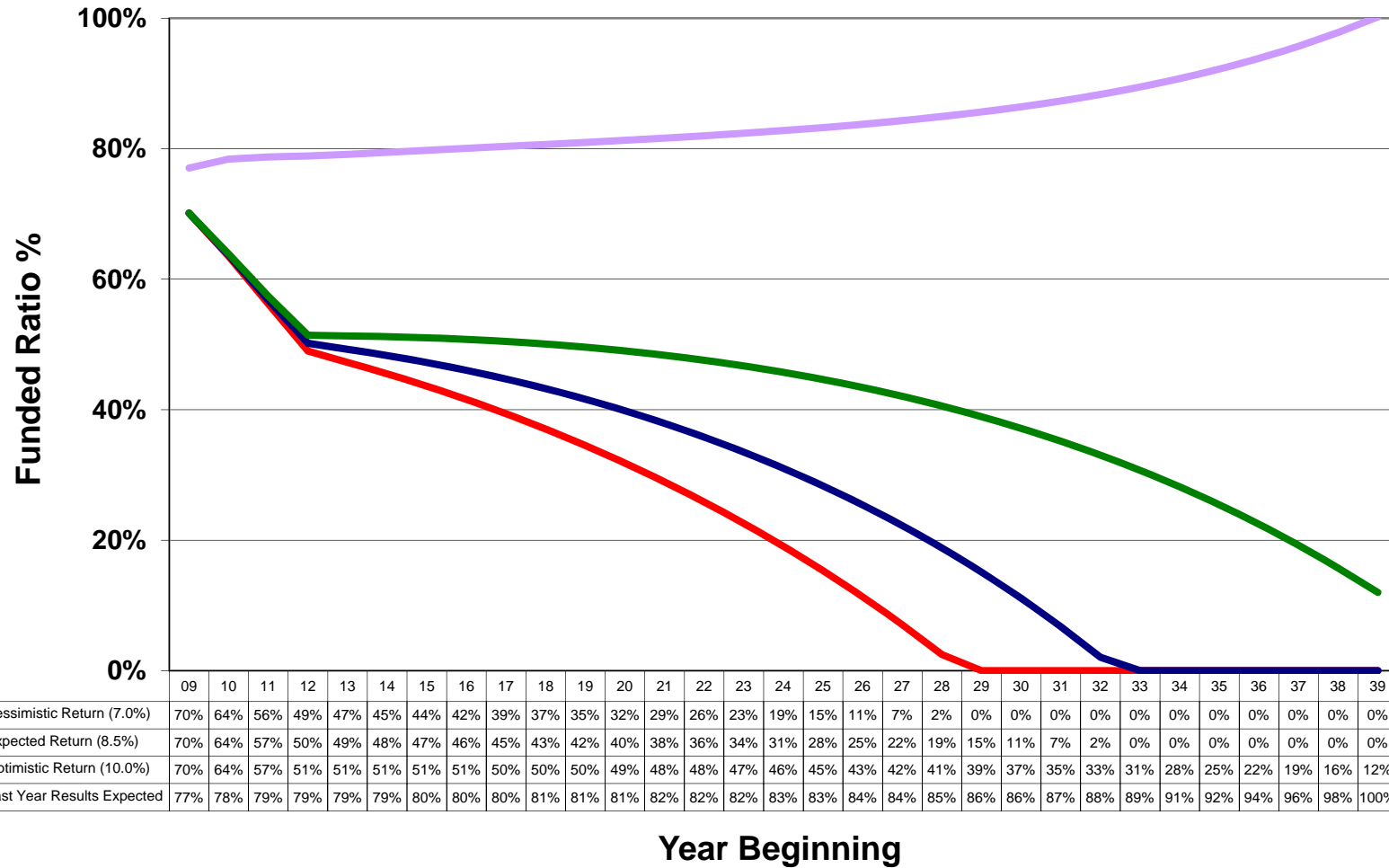


# State Division Actuarial Projection



— Pessimistic Return (7.0%) 
 — Expected Return (8.5%) 
 — Optimistic Return (10.0%) 
 — Last Year Expected

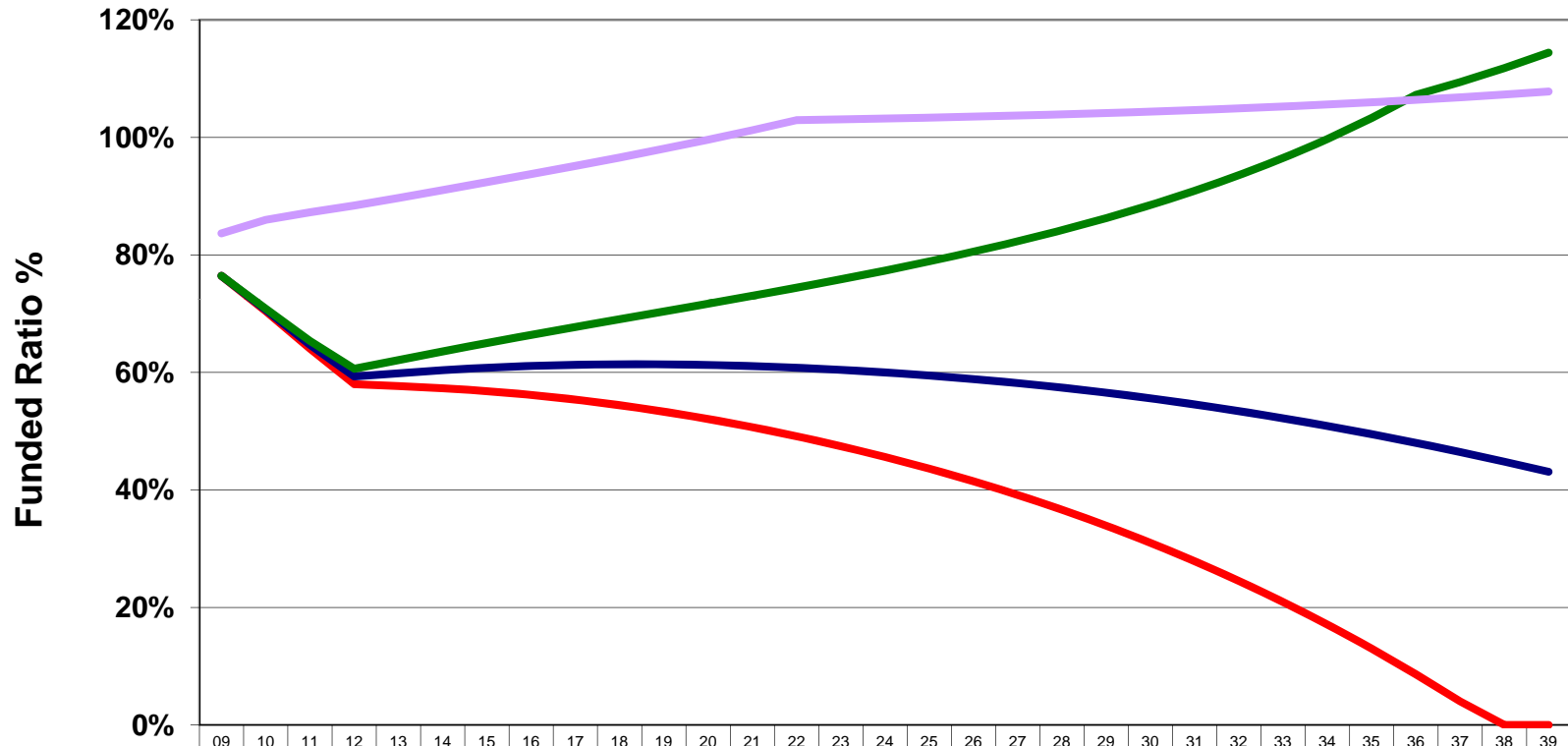
# School Division Actuarial Projection



— Pessimistic Return (7.0%) 
 — Expected Return (8.5%) 
 — Optimistic Return (10.0%) 
 — Last Year Results Expected

**December 31, 2008, Valuation Results**

# Local Government Division Actuarial Projection



	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39
— Pessimistic Return (7.0%)	76%	70%	64%	58%	58%	57%	57%	56%	55%	54%	53%	52%	51%	49%	47%	46%	44%	41%	39%	37%	34%	31%	28%	24%	21%	17%	13%	9%	4%	0%	0%
— Expected Return (8.5%)	76%	71%	65%	59%	60%	60%	61%	61%	61%	61%	61%	61%	61%	61%	60%	60%	59%	59%	58%	57%	57%	56%	55%	53%	52%	51%	49%	48%	46%	45%	43%
— Optimistic Return (10.0%)	76%	71%	65%	61%	62%	64%	65%	66%	68%	69%	70%	72%	73%	74%	76%	77%	79%	81%	82%	84%	86%	88%	91%	94%	97%	100%	103%	107%	109%	112%	114%
— Last Year Expected	84%	86%	87%	88%	90%	91%	92%	94%	95%	97%	98%	100%	101%	103%	103%	103%	103%	104%	104%	104%	104%	104%	105%	105%	105%	106%	106%	106%	107%	107%	108%

Year Beginning

— Pessimistic Return (7.0%) — Expected Return (8.5%) — Optimistic Return (10.0%) — Last Year Expected

**December 31, 2008, Valuation Results**

# Putting Together a Comprehensive Proposal

$$C+I=B+E$$

- In the long run, since contributions and investment income must equal benefits and expenses all four of these categories have been carefully considered. The comprehensive proposal for legislative action in 2010 is based on thorough calculations and on a thorough picture of how the various possible changes impact Colorado PERA's funded status and its members

# Planning a Comprehensive Proposal

- Regular actuarial valuation for 2008 (May)
- Projections of future funded ratio (May)
- Actuarial experience study (June)
- Actuarial audit (July)
- Actuarial studies of benefit components (July)
- Eight Listening Tours (August)
- Board work sessions (September and October)
- Asset/liability study (October)
- Statutory deadline for comprehensive legislative proposal (November 1)

# Establishing a Framework

- Shared responsibility among members, retirees and employers
- Intergenerational equity
- Long-term sustainability
- Preservation of the defined benefit plan
- Maintaining the same benefit structure for PERA's different divisions
- Recommendations are designed to have little or no short-term impact on member behavior

# Building the Foundation

- 8 percent assumed rate of return
  - More conservative
  - Reflects market volatility
- 30-year amortization period
  - Prevents intergenerational cost shifting
  - C.R.S. 24-51-211 “a maximum amortization period of 30 years shall be deemed actuarially sound”
  - GASB and industry standard

# Comprehensive Recommendation

## 2/2/2 Plus

- 2 percent increase in AED
- 2 percent increase in SAED
- 2 percent cap and indexed COLA
- Corridor between 90-110 percent funded
  - Allows COLA to be adjusted based on PERA's funded status
  - Allows AED/SAED to be adjusted based on each division's funded status (Local Government and Judicial Divisions maintained at 2010 levels)

# Comprehensive Recommendation

- Plus items complete the proposal
  - Establish a 5-year HAS with a base year and 8 percent spike cap applicable to members not eligible to draw a benefit on the effective date of the statute (no change to the unique statutory HAS for the Judicial Division)
  - Create a 5-year vesting period for the 50 percent refund match for future contributions
  - Require the 8 percent employee contribution to PERA for working after retirement

# Comprehensive Recommendation

- Plus items complete the proposal (continued)
  - Revise COLA effective date to July
  - Require full calendar year of benefits to be eligible for COLA
  - Calculate a separate benefit when suspending retirement
  - Expand the post January 1, 2007, provisions regarding retirement effective date and benefit indexing applicable to persons not eligible to draw a benefit on the effective date of the statute

# Comprehensive Recommendation

- Plus items complete the proposal (continued)
  - Revise the existing statutory benefit tables to increase the reduction factors for early retirement
  - Modify the age and service requirement for members not yet vested (except State Troopers) to the Rule of 90

# 2/2/2 Plus Achieves the Goal

- Creates shared responsibility
  - Elements of the package impact all PERA members, retirees, and employers
- Ensures the long-term sustainability of the plan while respecting Colorado taxpayers
  - The impact of these changes is multiplied year after year, and relatively small changes have profound impact on the long-term sustainability of PERA
- Continues to provide some degree of inflation protection
  - Reflects today's current economic realities

- Web address
  - [www.copera.org](http://www.copera.org)
- Office locations
  - 1301 Pennsylvania Street, Denver
  - 1120 West 122nd Avenue, Westminster
- Phone numbers
  - 303-832-9550
  - 1-800-759-PERA (7372)
- Sign up for Alerts
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