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PERA's Paquette steers finances through challenging times

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August wasn't an easy month for Colorado PERA Chief Investment Officer Jennifer Paquette.

Like investors everywhere, she was paying close attention to the huge swings in the market. She had to — she's responsible for managing the investment activities for PERA's \$40 billion pension plan for 94,000 retirees.

But she and her investment team of 50 at the Colorado Public Employees' Retirement Association weren't upset by the fluctuations, Paquette said, because they work constantly to monitor all areas of the market, looking for areas of weakness or strength.

"It doesn't do our members any good to get emotional about the volatility in the markets," she said. "Certainly these are challenging times, both economically and politically. But we are managing the portfolio for the long term."

Paquette joined PERA in 1995 as a fixed income analyst. She has been managing the investment portfolio since 2003, so she's seen rough patches before — like in 2008 when PERA's portfolio recorded a negative 26 percent return.

"We have experienced 2008 and other down markets," she said. PERA's portfolio did beat its benchmark in 2008, she noted, and rebounded strongly in 2009, hitting a 17 percent rate of return.

"Our investment objective is to support the long-term liabilities of the retirement plan," Paquette said. "It's not to knock the cover off the ball."

Working in an industry still dominated by men, Paquette obviously is familiar with sports analogies.

She earned her master's degree from the London School of Economics, which helped her land her first job at PaineWebber Mitchell Hutchins in New York City — as a secretary. "In the company's defense, they did move me pretty quickly to be a portfolio assistant," she said.

She worked for 10 years on Wall Street, working her way up to vice president, institutional account executive for Merrill Lynch, Pierce Fenner & Smith Inc., where she sold high-yield



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Jennifer Paquette is PERA's chief investment officer.

bonds to institutions.

"Over the years, I was often the only woman on the traders' desk. Or I would go to road shows with 100 men and a couple of women attending the meeting," Paquette said. "After awhile, you tune it out and you do your job."

For most of her career, she said she's "been blessed with working for terrific employers, like Colorado PERA, where opportunities have been exclusively a function of performance."

Colorado PERA Board Chairwoman Carole Wright said Paquette has earned the full confidence of the board and respect from her staff.

"What's particularly important in the role of being a CIO is meeting the demand of being a strategic thinker," Wright said. "Jennifer is a great strategic thinker. A lot of people manage return, but her job includes managing risk, because we're talking about the lives of 475,000 fund members and their families."

PERA also depends on Paquette for liquidity, she said, because the 94,000 retirees need to be

paid their benefits each month.

"Considering everything that's happened in the last decade, she's unflappable," Wright said. "She weighs all of the components and makes a decision that inspires confidence."

Colorado PERA has not been without its detractors in recent years, especially after the fund lost \$12 billion in the market collapse of 2008. At the time, PERA officials estimated the public pension plan would be insolvent as early as 2026 if something wasn't done.

Legislature addressed PERA finances

In 2010, the Colorado Legislature passed SB 10-001, or SB 1 as it's more widely known, to shore up PERA. It raised members' retirement age, increased the required contributions for employees and employers, and reduced cost-of-living increases for retirees.

About 90 percent of the changes under SB 1 are being borne by the retirees themselves, Paquette said.

"It [SB 1] took a long-term approach of how to address underfunding. It allowed us to get back to focusing on managing the plan," Paquette said.

PERA is now forecast to be fully funded by 2040, based on an assumed rate of return of 8 percent, she said.

The 8 percent expectation is not an annual rate of return, she said, but an assumption for earnings over many decades. PERA's 25-year rate of return is 9 percent.

A March 2010 survey by the National Association of State Retirement Administrators found that 51 out of 124 public pension funds used 8 percent as their assumed rate of return, with 35 funds using a higher rate and 38 lower.

When Paquette isn't thinking about investments and rates of return, she likes to relax by riding her horse, Jack. "It's a wonderful escape," she said. "You can't be thinking about the market while you're riding."

She and her husband, John, have three teenage boys that also keep her busy.

"I try to balance my career with family," Paquette said. "At times PERA has to get a little more of my time, but my family deserves a mom and wife, so I try to balance it out."