

The Colorado Public Employees' Retirement Association maintains a pre-funded, hybrid defined benefit plan and a pre-funded retiree healthcare subsidy plan. The purpose of this funding policy is to state the overall funding goals for these trust funds. Progress towards these funding goals will be assessed annually. This policy is effective as of the Board's date of adoption of this policy on November 16, 2007, and it is the intention of the Board of Trustees that this funding policy be reviewed periodically.

The Board of Trustees initiated legislation adopted by the Colorado General Assembly in 2004 and 2006 establishing a funding policy goal of a minimum 100 percent funding level in all trust funds through contribution rate increases, and benefit level adjustments. The legislation is intended to achieve a minimum 100 percent funding level in all trust funds over a 30- to 40-year period. The actuarial projections confirm the validity of this plan with the expectation that the 3 percent increases in both the Amortization Equalization Disbursements (AED) and the Supplemental Amortization Equalization Disbursements (SAED) and the projected reductions in normal cost due to benefit adjustments are realized over the 30- to 40-year projection period.

Funding Goal and Policies

To secure promised and mandated benefits, the funding goal of the Colorado Public Employees' Retirement Association's defined benefit and retiree health care plans is to maintain employer and member contributions into the trust funds sufficient to accumulate assets over a member's term of employment to fully finance the benefits members receive throughout retirement by achieving and maintaining a minimum 100 percent funding ratio of assets to accrued actuarial liabilities. The Board's minimum 100 percent funding ratio goal over time avoids externalizing the costs of amortizing unfunded accrued liabilities onto others in the future, and provides for fairness and intergenerational equity for taxpayers, employers and employees with respect to the costs of providing benefits. To meet this funding goal the Board of Trustees adopts the following policies:

- The Board will not consider and will oppose any proposal that reduces contribution rates including AED and SAED for any division prior to that division obtaining a minimum 100 percent funding level as determined by the Board's actuary;
- The Board will not consider and will oppose any proposal that enhances benefit provisions of the plan before achieving a minimum 100 percent funding level.
- After reaching fully funded status, any benefit enhancement proposal must include the additional funding necessary to maintain a minimum 100 percent funded status on an actuarially sound basis; and
- The Board will carefully review the funded status of each division annually.