



COLORADO
PERA®

PERA Board of Trustees' Listening Tour Meeting

August 2009

Meeting Outline

- Introductions
- PERA's current financial situation
- Public comment
 - Public comment – time allocated
 - Completed listening tour input form



Colorado PERA's Mission Statement

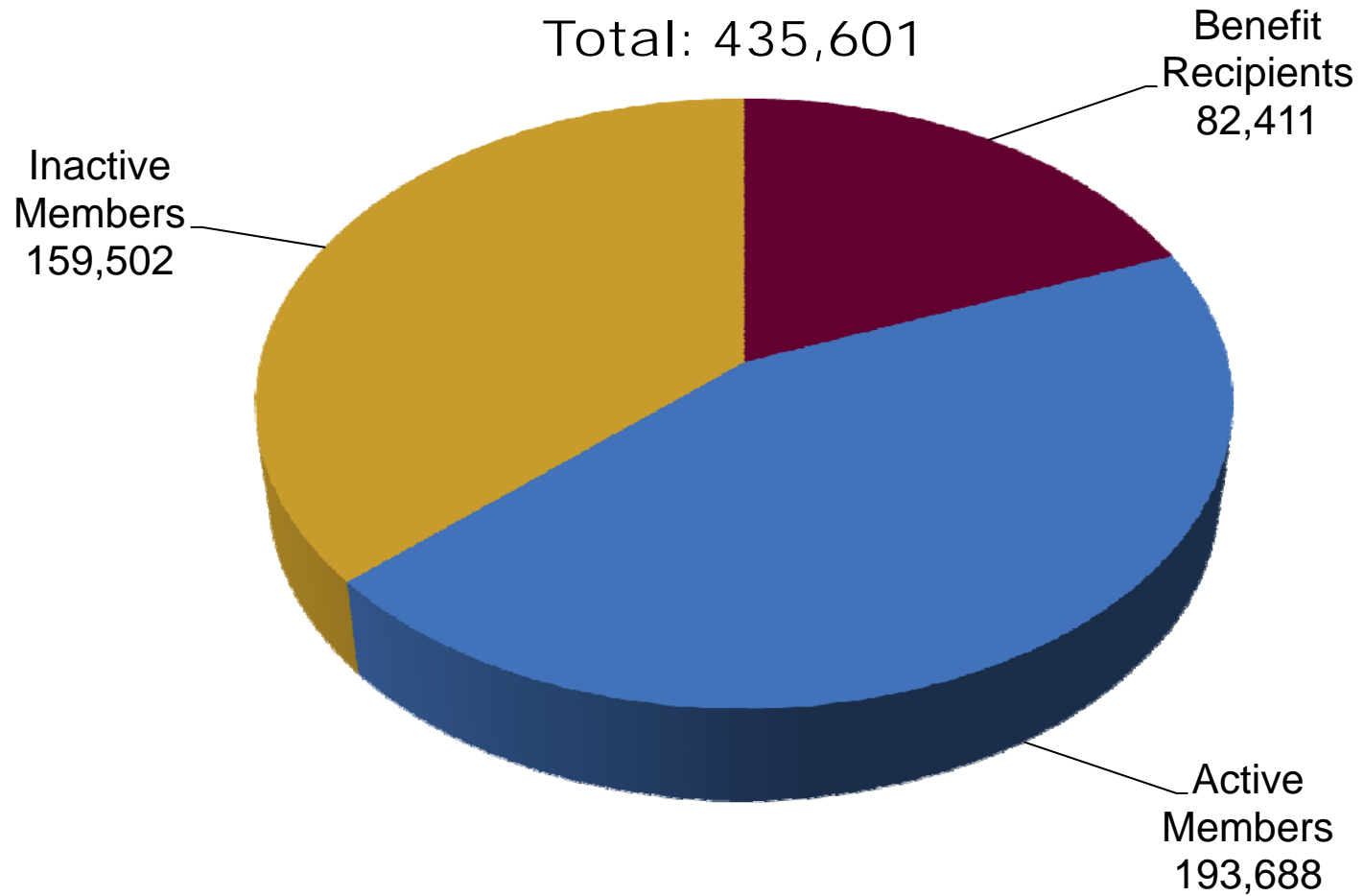
**To promote long-term financial
security for our membership while
maintaining the stability of the fund.**

Why It's Important to Address the Sustainability of the Plan

- Magnitude of public sector employment across Colorado
- Economic impact of the PERA benefit payments
- Specific benefit distributions per county
- PERA is a fund in perpetuity and is still an efficient value-added employment benefit
- PERA members and employers pre-fund retirements and generally do not contribute to Social Security

Members and Benefit Recipients

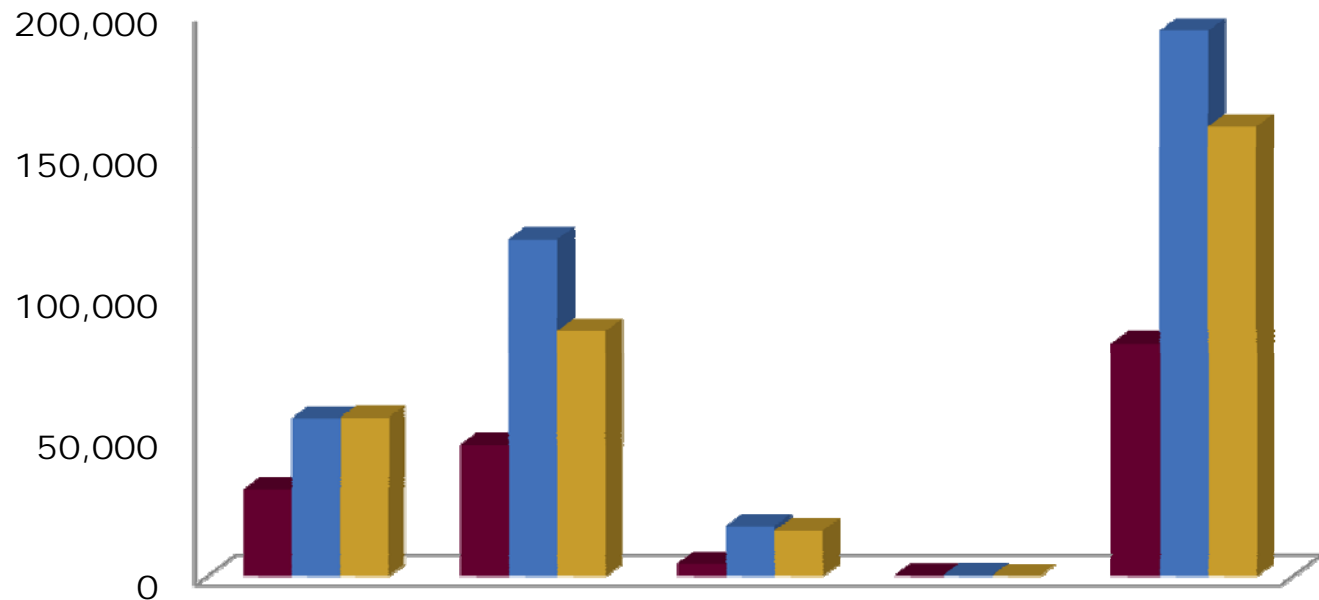
June 30, 2009



Members and Benefit Recipients

June 30, 2009

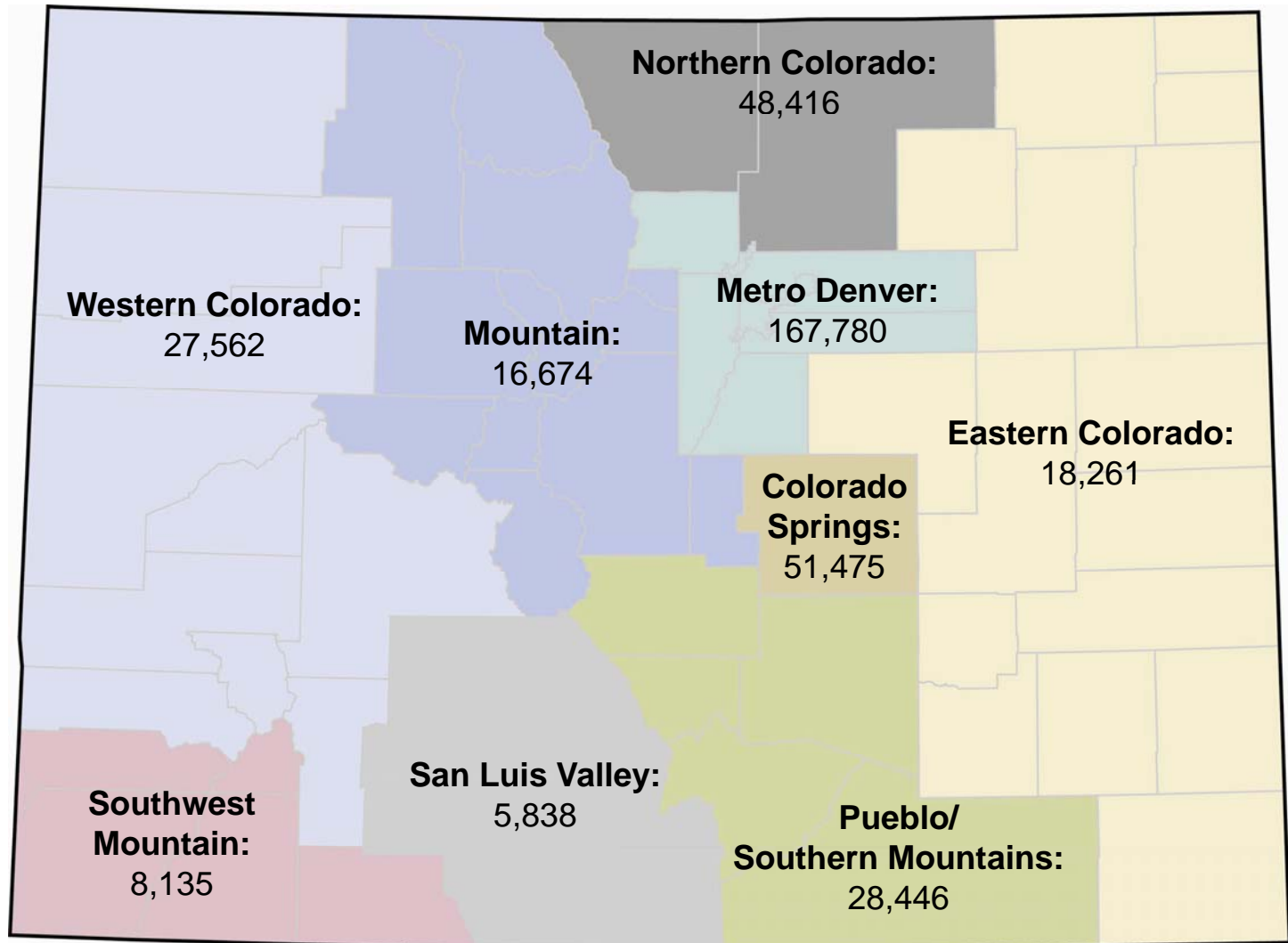
Total: 435,601



| | State | School | Local Gov't | Judicial | Total |
|-----------------------------|--------|---------|-------------|----------|---------|
| ■ Benefit Recipients | 30,839 | 46,763 | 4,522 | 287 | 82,411 |
| ■ Active Members | 56,107 | 119,403 | 17,862 | 316 | 193,688 |
| ■ Inactive Members | 56,459 | 86,834 | 16,195 | 14 | 159,502 |

PERA Membership by Region

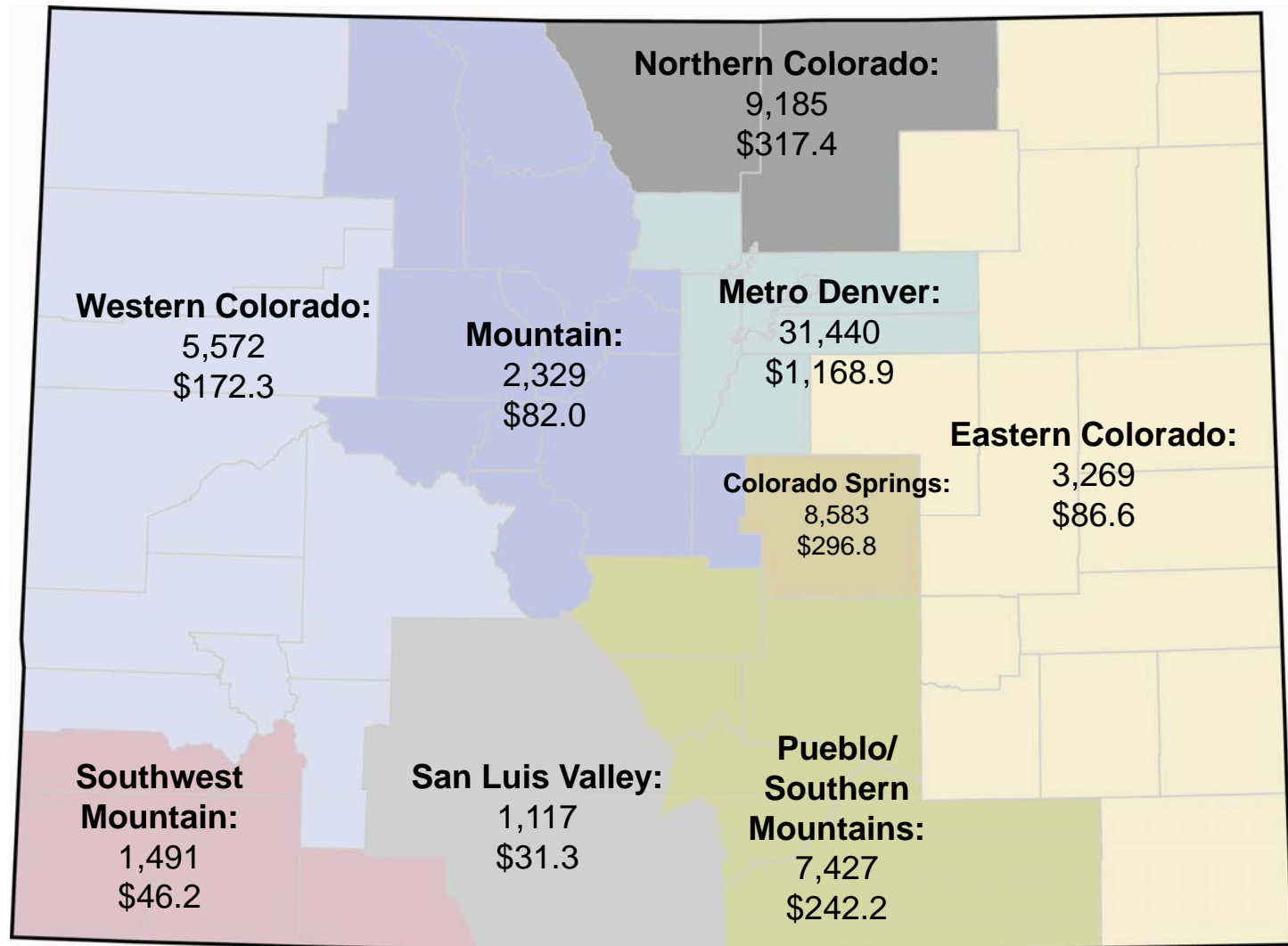
(active, inactives, and retirees for which county designations are known)



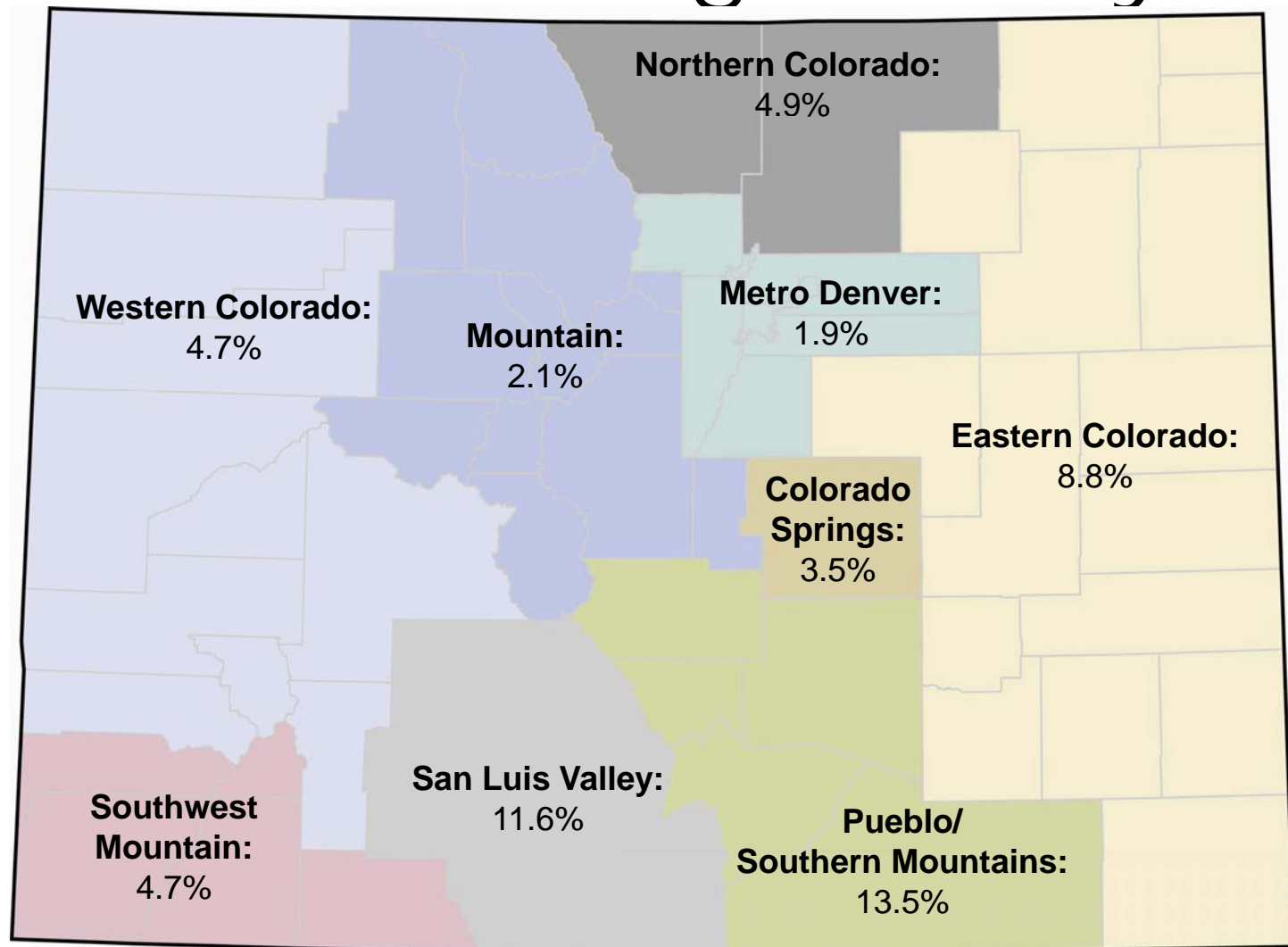
State of Colorado Total: 372,587

PERA Retirees and Benefits by Region

(Benefits in millions)

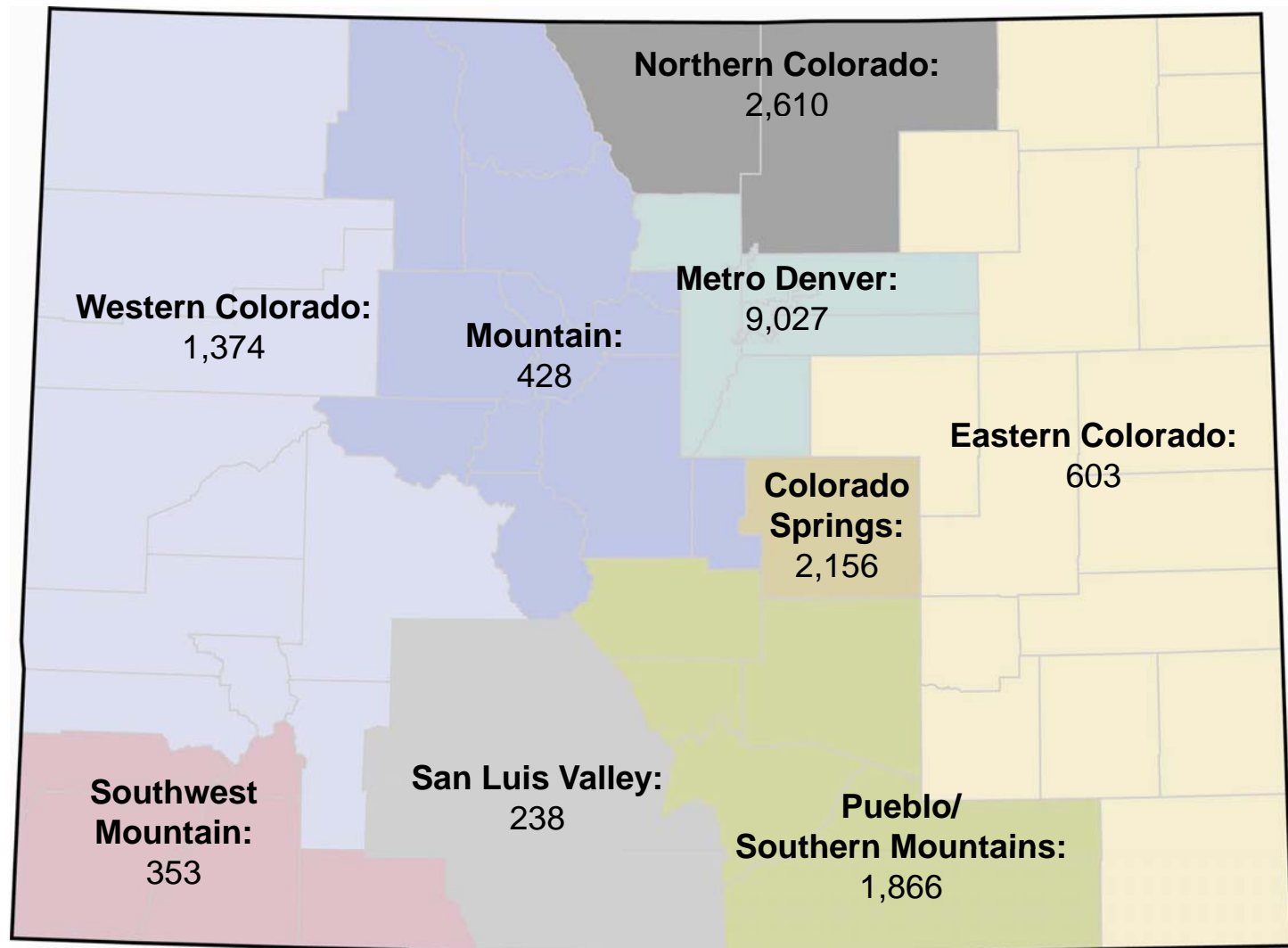


PERA Recipient Payments as a Percentage of Payroll



State of Colorado Total: 2.7%

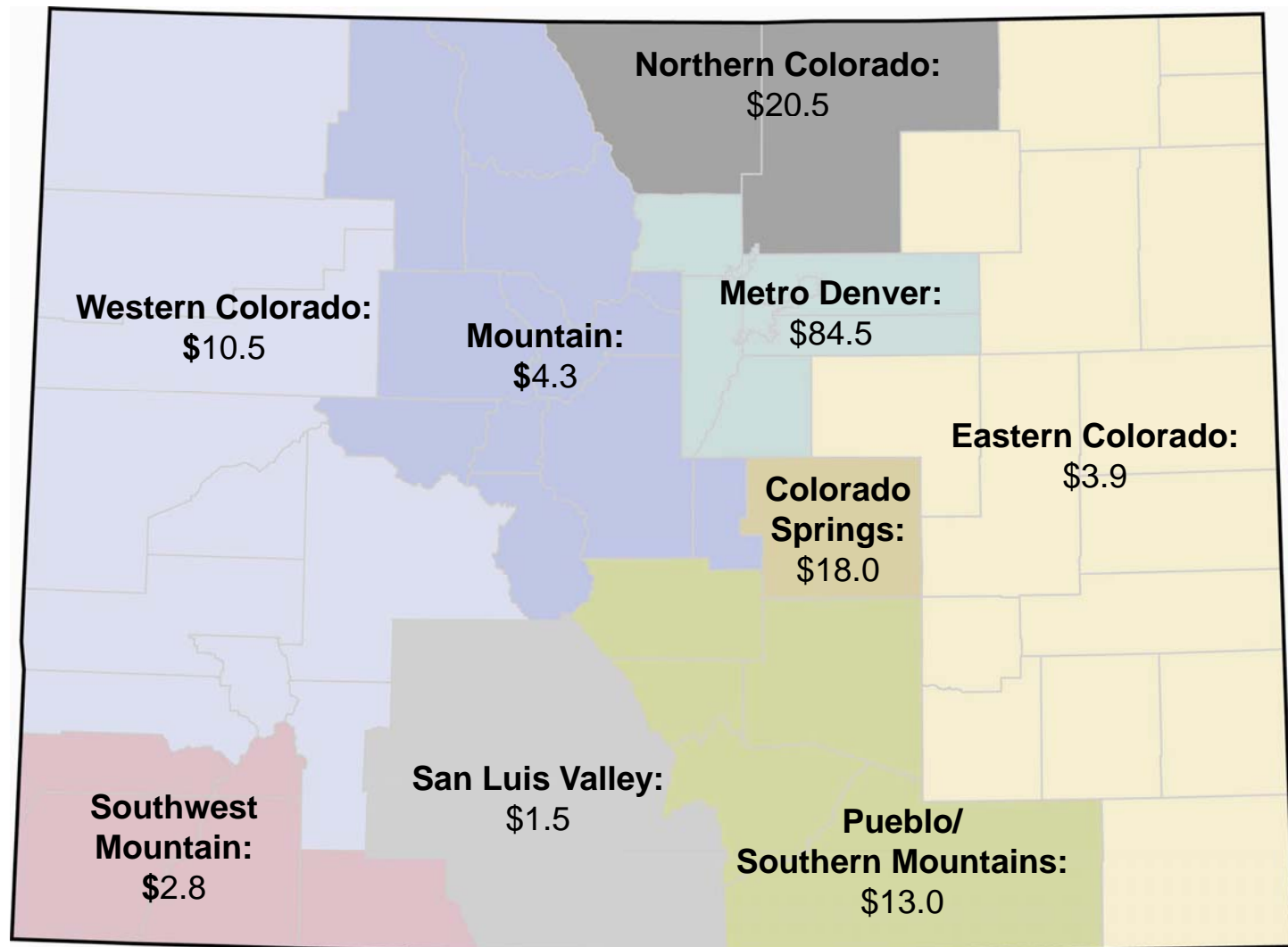
Employment



State Employment Total: 20,635

State and Local Tax Dollars

(in millions)



State of Colorado Total: \$185.5

PERA Studies in 2009

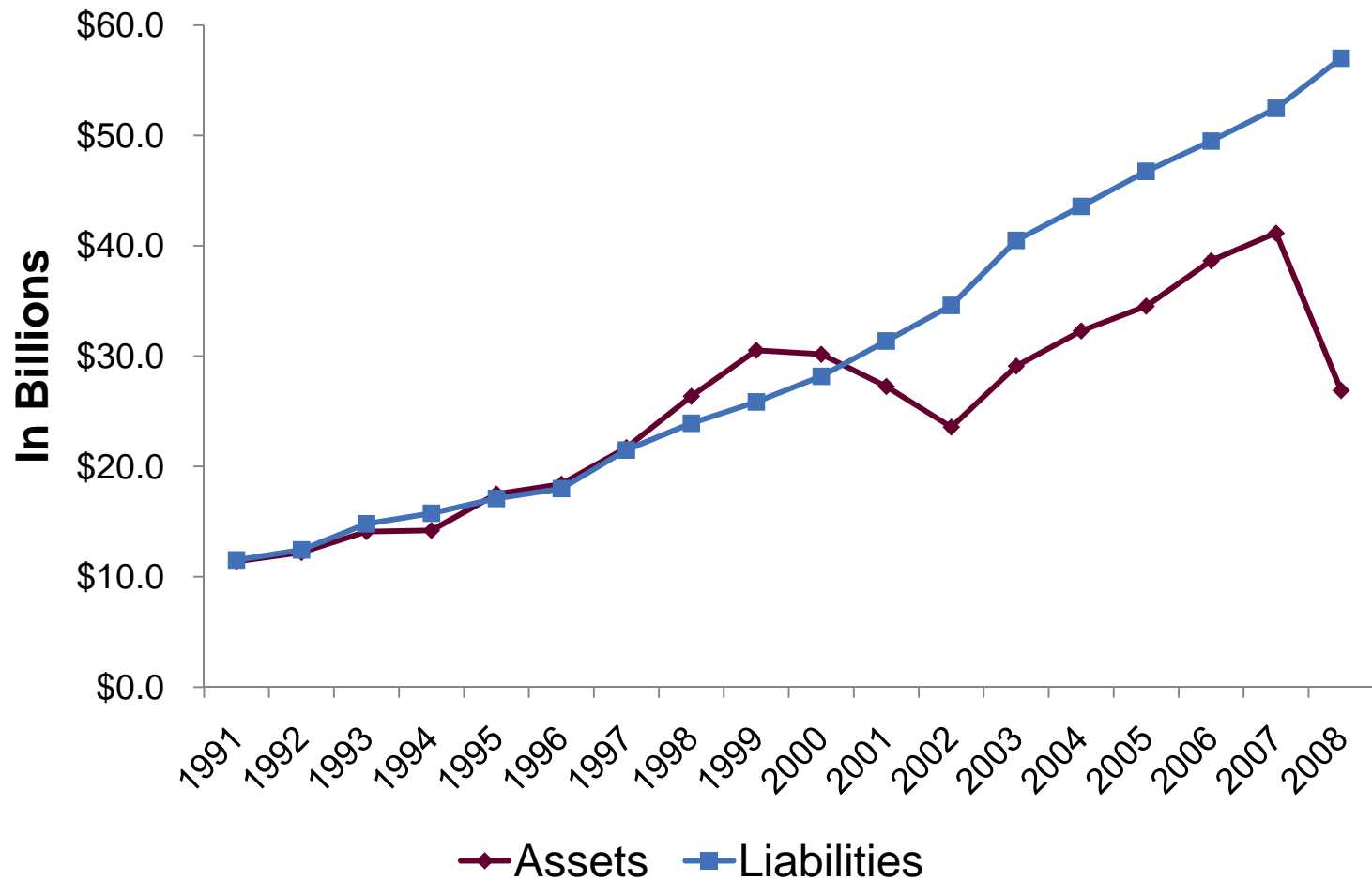
- Regular actuarial valuation for 2008 (May)
- Projections of future funded ratio (May)
- Actuarial experience study (June)
- Actuarial audit (July)
- Actuarial studies of benefit components (July)
- Asset/liability study (October)

Listening Tour and Further Steps

- Eight Listening Tours in August
 - Denver (August 11), Colorado Springs (August 12), Pueblo (August 13), Grand Junction (August 18), Durango (August 19), Fort Collins (August 24), Greeley (August 25), Fort Morgan (August 26)
- Board work sessions – September and October
- Statutory deadline for comprehensive legislative proposal – November 1
- Shareholder meetings – October-November

PERA Assets vs. Liabilities

Market Value as of December 31 for each year



Assets vs. Liabilities

December 31, 2008

| Division | Unfunded Actuarial Liabilities (\$ in millions) | Actuarial Value of Assets | Market Value of Assets |
|------------------|---|---------------------------|------------------------|
| State | \$6,584 | 67.9% | 51.3% |
| School | \$9,267 | 70.1% | 52.9% |
| Local Government | \$905 | 76.4% | 57.8% |
| Judicial | \$57 | 80.2% | 60.7% |
| HCTF | \$1,113 | 18.7% | 17.1% |
| Total Fund | \$17,926 | 68.5% | 51.8% |

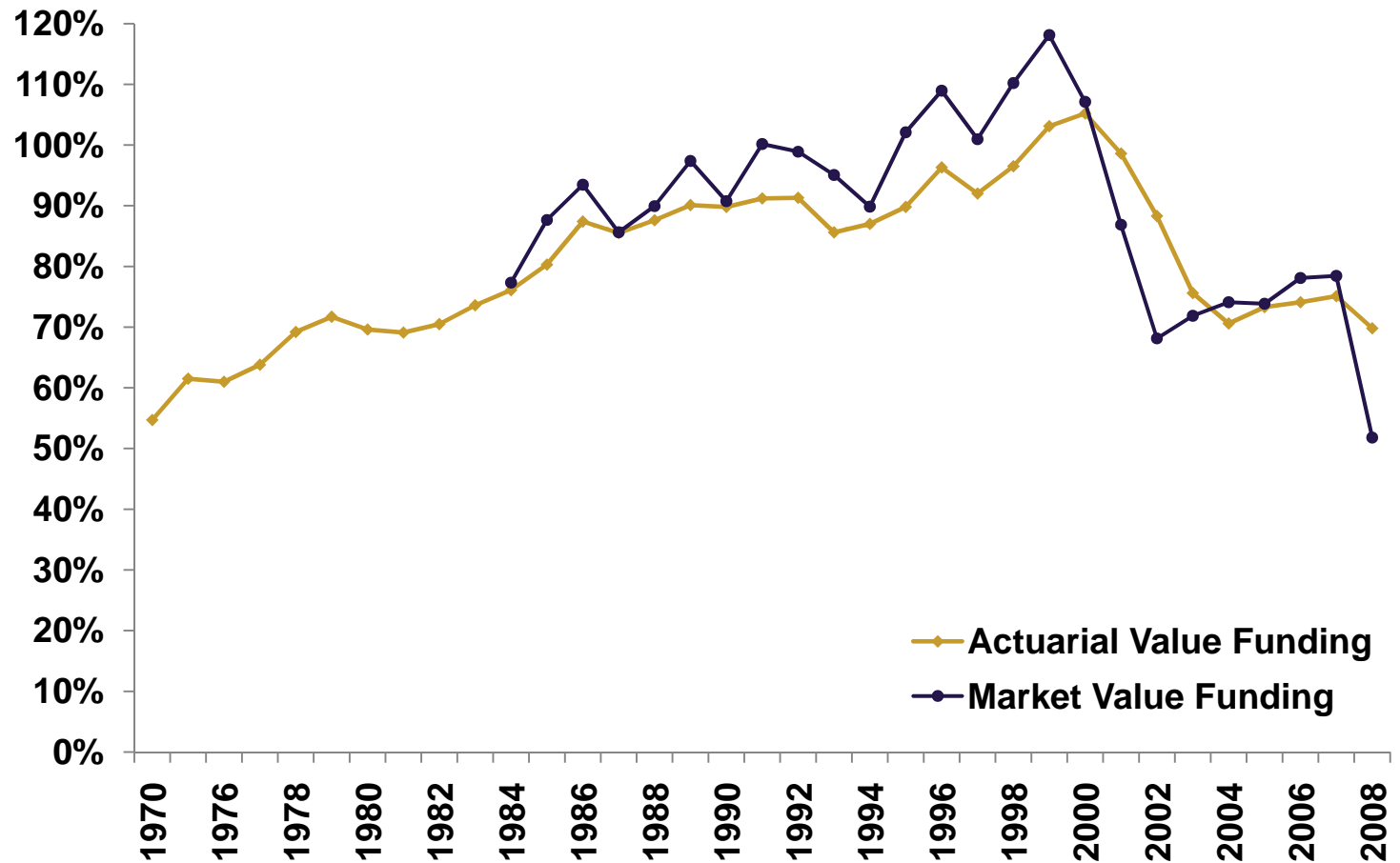
Market Value of Assets = \$29.3 billion

Actuarial Assets = \$38.8 billion

Actuarial Liabilities = \$55.6 billion

Funding Ratio

As of December 31, 2008



Market Value information not available prior to 1984

PERA Financial Recap

\$41.4 billion net assets as of December 31, 2007

| 2008 | Contributions \$1.6 billion | | Investments (\$10.5 billion) | | Benefits Paid (\$2.9 billion) | |
|--|--------------------------------|---|---------------------------------|---------------------------|----------------------------------|----------|
| | Employer | \$858M | Net Change in Fair Value | (\$11.4B) | Pension and Health Benefits | (\$2.8B) |
| Member | \$557M | Interest | \$412M | Disability/Life Insurance | (\$8M) | |
| Retiree Health Care and Life Premiums | \$104M | Dividends | \$388M | Refunds | (\$141M) | |
| Purchased Service | \$33M | Real Estate/Opportunities/ Alternative Investments | \$164M | Other | (\$12M) | |
| Medicare Retiree Drug Subsidy | \$14M | Securities Lending | \$21M | Admin Exp | (\$36M) | |
| Other Additions | \$14M | Investment Expense | (\$108M) | | | |

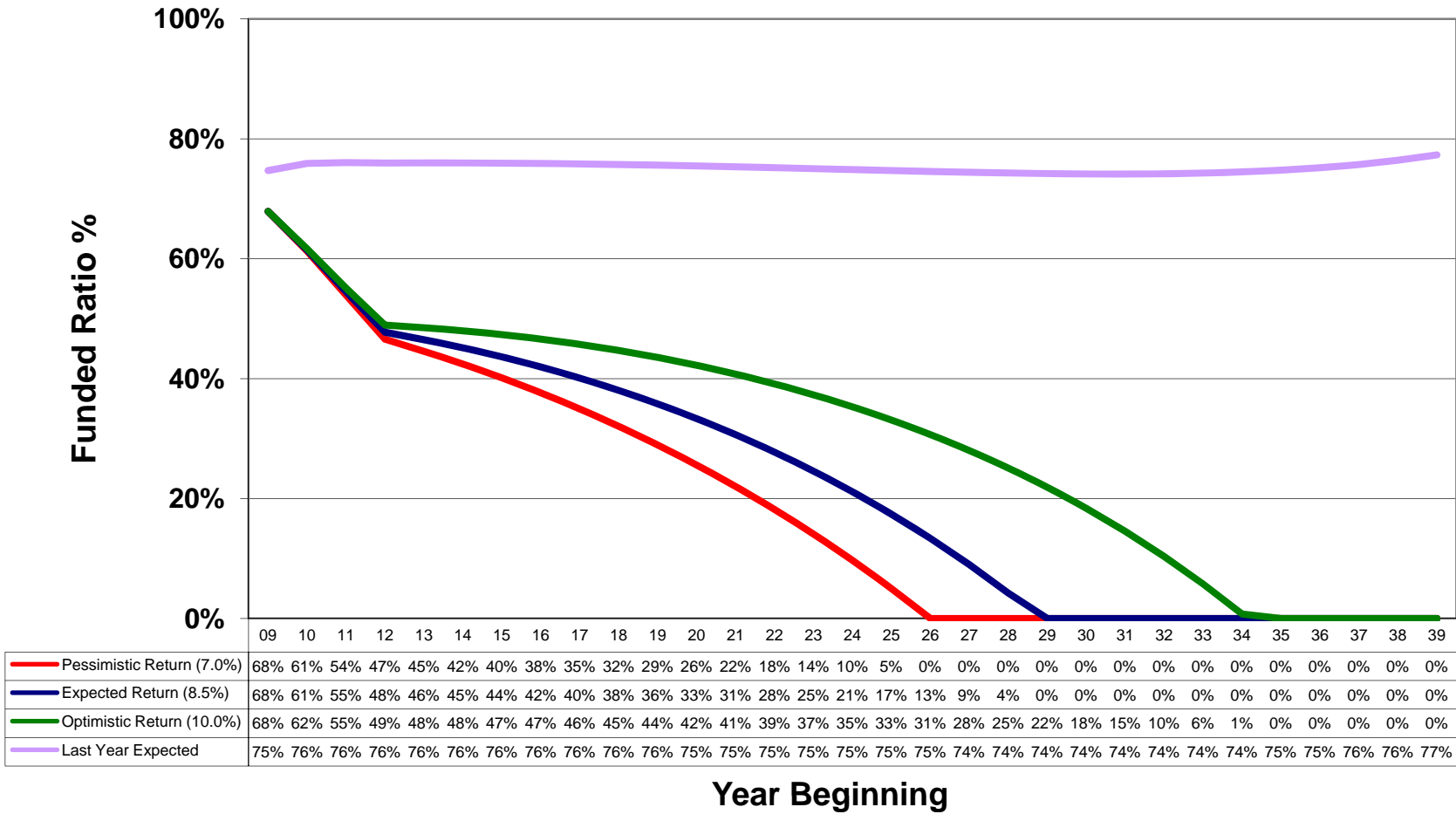
\$29.5 billion net assets as of December 31, 2008

| YTD 2009 | Contributions \$827,085 | Investments \$870,937 | Benefits Paid (\$1,563,856) |
|-------------|----------------------------|--------------------------|--------------------------------|
|-------------|----------------------------|--------------------------|--------------------------------|

\$29,657,470 net assets as of June 30, 2009

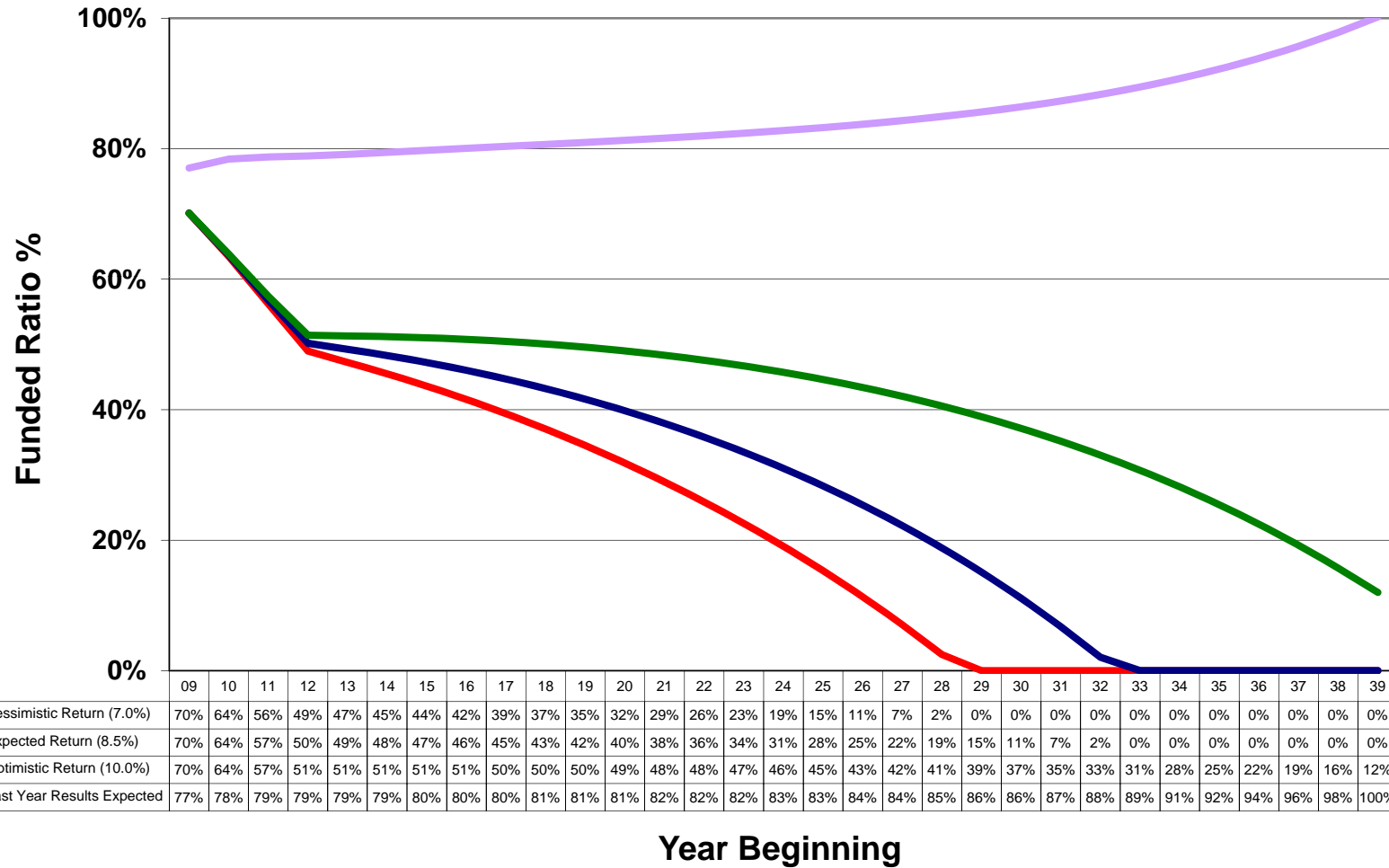
(in thousands of dollars; does not include 401(k) Plan)

State Division Actuarial Projection



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

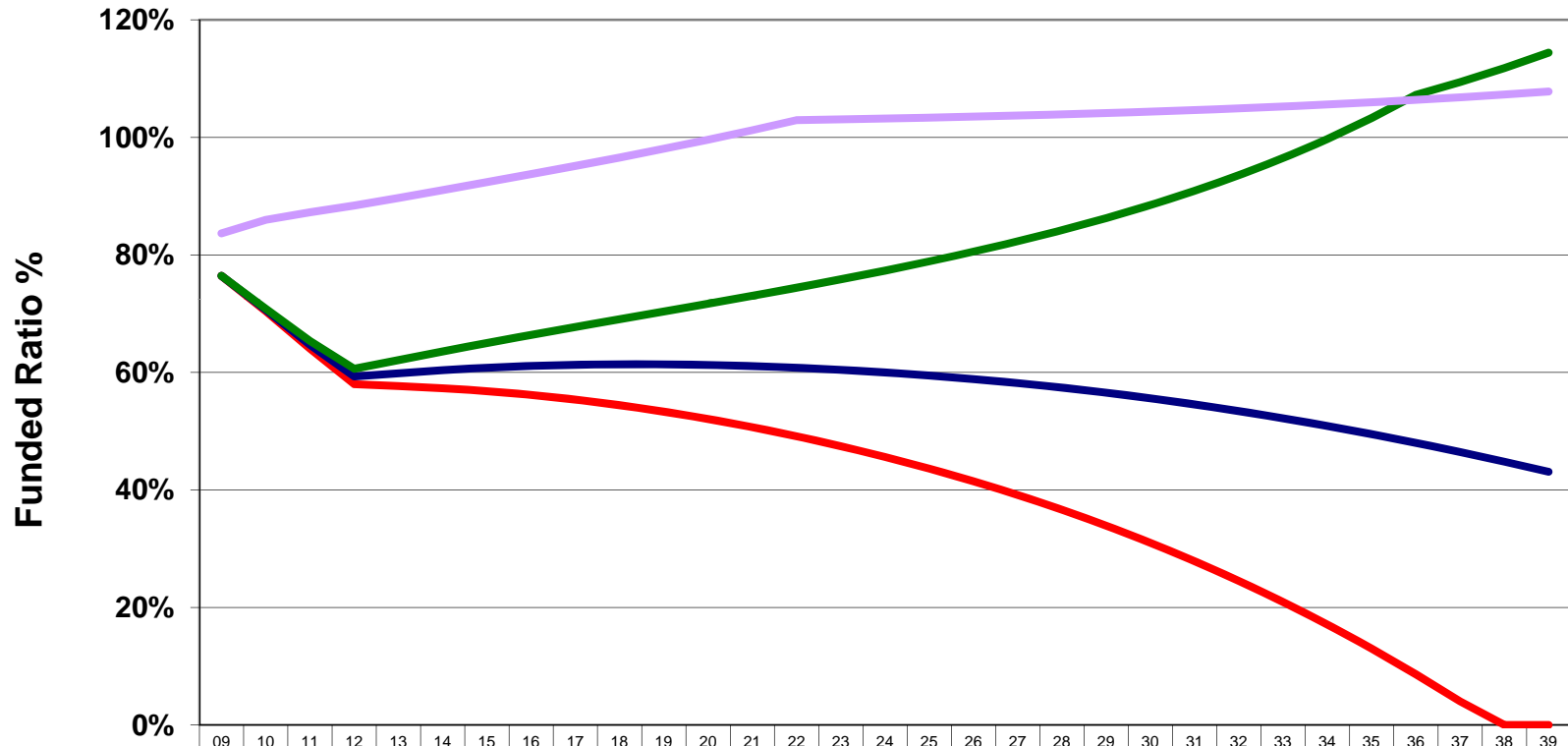
School Division Actuarial Projection



— 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

Reasons for Growth of Unfunded Liability

2004 - 2008

- Investment losses
- Contributions less than the annual required contribution (ARC) calculated for 30-year amortization of unfunded liability
- Early retirement higher than assumed
- Salary increases higher than assumed

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 will be carefully considered. The comprehensive proposal for legislative action in 2010 will be based on thorough calculations and on a thorough picture of how the various possible changes will impact Colorado PERA's funded status and its members

Contribution and Benefit Variables

Existing Members

Increase number of years for the Highest Average Salary (HAS) calculation

Limit year-to-year increase in includable salary for HAS purposes

Increase minimum retirement age

Increase age and service combination required for service retirement

Reduce future benefit accrual rate (multiplier)

Retroactively reduce benefit accrual rate

Reduce early retirement benefits

Lower annual increase (COLA)

Create a waiting period for COLA eligibility after retirement

Reduce surviving child(rens) benefit

Reduce disability coverage

Reduce benefit accruals for part-time workers

Establish 5-year vesting for eligibility for 50 percent match on refunds

Eliminate 50 percent match on refunds

Reduce interest rate paid on member account balance

Contribution and Benefit Variables *(continued)*

Retirees

Suspend the annual increase (COLA holiday)

Reduce the annual increase

Reduce the base benefit for retirees

Roll back benefit modifications enacted post-retirement

Further restrict working after retirement

New Hires

Lower benefit accrual rate for new hires (multiplier)

Increase the number of years for the HAS calculation for new hires

Increase retirement age for new hires

Lower annual increase (COLA) for new hires

Increase contributions for new hires

Implement 401(k) style plan only for new hires

Contribution and Benefit Variables *(continued)*

Contribution Rates

Increase employer contribution rate immediately

Increase employer contribution rate phased-in

Increase employee contribution rate immediately

Increase employee contribution rate phased-in

Public Comment

Closing Remarks - PERA Board

Information

- Sign up for alerts in the Legislative Information Center at www.copera.org by clicking on “Be Active in the Future of Your Retirement System”
- You may fill out the *Listening Tour Input Form* online by visiting www.copera.org