



Colorado PERA Response to RMN editorial 11-19-08

The worst thing to do in the midst of economic turmoil is to overreact.

Just a few months into a financial downturn, the *Rocky Mountain News* has proposed sweeping and far-reaching policy changes for the Colorado Public Employees' Retirement Association, the retirement plan for 440,000 current and former public employees.

The *Rocky Mountain News'* call for the Colorado Legislature to take action to address the funded status of Colorado PERA is rash and premature.

Like all investors, PERA has seen the value of its investment portfolio decline in recent months. But – as the *Rocky* acknowledges – PERA remains fully able to pay benefits to all its retirees. It is irresponsible to rush to the conclusion that PERA should seek sweeping legislative changes based on back-of-the-envelope calculations of PERA's funded status at an arbitrary point in time.

All of PERA's assets, not just the publicly traded stocks, are valued every year on December 31 and measured against what is owed to all current and future retirees of the system. PERA manages its money carefully to ensure that its assets are diversified and not wholly dependent on the ups and downs of the stock market.

The *Rocky's* editorial also contains glaring factual errors that could have been avoided with a simple inquiry to PERA or careful review of the 2006 reform legislation to put PERA back on track to being fully funded. To point, the additional contribution paid by employers from their employees' foregone wage increases does not end in 2013, but continues until the PERA trust funds are 100 percent funded.

In addition, the call for new public employees to be moved to a 401(k)-style retirement plan would actually cost the taxpayers of Colorado (which include public employees who contribute to their PERA retirement) more than continuing the current approach. Research has shown that "frozen" plans, which is what PERA would become under the *Rocky's* solution, actually drive up the costs for the sponsoring employers, which in this case are Colorado school districts, local governments, and the state.

Certainly, all investors have faced setbacks as the global economy has entered a decline. Your readers should know that the PERA Board of Trustees and staff response to recent events and dramatic market moves has been to intensely monitor the financial markets and make adjustments as necessary – but not to overreact.

PERA has taken a number of steps in recent years that have reduced some of the negative impact. PERA will continue to vigilantly monitor all of our investments and manage our assets in the context of our long-term time horizon. This doesn't require an "action item" on the agenda –

it's what we do every day to protect both the retirements of Colorado's public servants and the interests of Colorado's taxpayers.

PERA was founded in 1931, in the depths of the Great Depression. Since then, we've seen the financial markets go up and down. But the one thing that hasn't changed has been our commitment to the prudent stewardship of the resources that have been entrusted to us.

Meredith Williams

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