

Senate Bill 18-200
House Finance Committee
April 16, 2018

I'm Ron Baker, the Interim Executive Director of Colorado PERA. Thank you for the opportunity to address the Committee.

On behalf of the PERA Board of Trustees, I wanted to start by thanking the sponsors of SB200 for continuing this very important process.

The Board is currently monitoring the progress of the bill, and they have directed PERA staff to continue to work with the General Assembly to advance the process. I am here to testify to that end, and to answer any questions you may have.

As you know, the PERA Board started this process about 18 months ago. The Board's deliberations included months of internal debate, consultations with actuaries and other experts, an in-person listening tour with stakeholders throughout Colorado, and telephone town hall meetings. The result was a package of recommendations that the Board presented to the legislature last fall.

The PERA Board began these efforts last year because, while PERA is not insolvent, we realize that our funded status demands attention. The Board believes it is important to take action this session to secure current and future retirement benefits for the public workforce.

The key principles that underscore the Board's plan are:

- The preservation of PERA's defined benefit plan, and ensuring its continued value as a recruiting and retention tool for employers
- Shared responsibility for this commitment among PERA members, retirees, and employers; and
- Executing all these changes to avoid creating unintended consequences or undue burdens upon future generations of PERA employees or retirees

The board evaluated each possible recommendation according to whether it helped improve PERA's funded status, and by how much. Many of you are familiar with the funding charts and other analyses done by PERA staff to illustrate the relative impact of potential changes to the plan. The PERA Board used all of these to inform a set of recommendations that would help return PERA to full funding within 30 years. That goal of a 30-year timeframe is currently achieved in SB200 -- and we hope the House will preserve this goal as it seeks to amend the bill.

While provisions of this bill certainly reflect the principles guiding the Board's recommendations, there are still some concerns about SB 200 in its current form. These include the absence of new employer contributions, the expansion of the defined contribution plan, the authority of the legislative oversight committee, and fundamental changes to benefits such as the 7-year

Highest Average Salary and setting the COLA cap at 1.25%. We have provided handouts outlining the differences between the PERA Board's recommendations and SB200 as it currently stands, and we encourage the committee to revisit the Board's position as it considers amendments.

Like everyone here today, the primary objective of the PERA Board is to ensure that all our current and future members can obtain a dependable and dignified retirement. All of us at PERA are here to support this process and serve as a resource, and I am happy to take your questions.