A Foundation for the Future

A Summary of the Report to the General Assembly on Senate Bill 10-001

A Secure Retirement for Colorado's Public Workforce

In 2009, Colorado PERA was one of the first public retirement plans in the nation to recommend responsible reforms based on the concept of shared sacrifice—where all members and employers gave up something in order to ensure PERA's long-term sustainability. In the spirit of bipartisanship, the Colorado General Assembly enacted Senate Bill 10-001 (SB 1) to make Colorado stronger for everyone.

Economic Decline Prompts Shortfall

The groundwork for this historic, bipartisan legislation began after the 2008 financial crisis when PERA's annual actuarial projections showed PERA's largest divisions (State and School) were not sustainable and projected to run out of money. In 2009, the Colorado General Assembly passed legislation requiring the PERA Board of Trustees (Board) to submit a package of specific, comprehensive recommendations to ensure PERA would become and remain fully funded.

Crafting Responsible Reform

Throughout 2008 and 2009, considerable research and outreach was conducted by the Board, PERA staff, legislators, representatives of public employee and employer groups, PERA membership, and other stakeholders. Thousands of hours were spent reviewing options and listening to all viewpoints and concerns. All parties involved in designing SB 1 agreed that any solution to bring PERA long-term stability and sustainability would require shared sacrifice—from retirees, current and future public employees, and their public employers.

The bipartisan leaders in the Colorado Legislature worked with the Board and PERA staff to craft SB 1, which included the necessary provisions to ensure PERA is able to provide retirement security not just for today's retirees, but also for those who may be just starting a career in public service or are yet to be hired. SB 1 was intended to bring the PERA trust funds to 100 percent funded status over time, and to pay down unfunded liabilities while supporting the Board's principles of fairness and intergenerational equity.

As a result of shared sacrifice, fiscal discipline, and reforms made to PERA by SB 1, Colorado's largest retirement system has the resources it needs now and into the future to deliver the benefits earned by the hardworking public workforce that keeps Colorado moving forward.

Re-evaluating Effectiveness

SB 1 also requires PERA to report to the General Assembly every five years on the effectiveness of SB 1, specifically, the economic impact of the Annual Increase provisions compared to actual inflation as well as progress made in reducing liabilities in each division of PERA.

The long-term financial sustainability of PERA continues to be the highest priority of the Board. The Board and staff continue to monitor the funding status of PERA.

For the entire version of the SB 1 Report, go to www.copera.org.

The PERA Board of Trustees in 2009 established the following guiding principles and objectives for developing a comprehensive package to ensure long-term sustainability:

- Shared responsibility among members, retirees, and employers.
- Intergenerational equity.
- Preservation of the defined benefit plan.
- Preservation of portability for members who move between different divisions of PERA, by maintaining common benefit structures.
- Development of recommendations that would have little to no short-term impact on member behavior.

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SB 1 Results

- PERA has saved about $15 billion to date in unfunded liability.
- Over 90 percent of the savings is a result of the reduction in Annual Increase provisions.
- Even with a reduction in the Annual Increase, PERA benefit recipients kept up with inflation over the last five years.
- A typical retiree receiving a $3,000 monthly benefit as of January 1, 2010, will sacrifice the equivalent of about seven years of retirement payments over a 25-year retirement.
- PERA employers and taxpayers are now providing a less costly benefit, which is largely funded by member contributions.
- A typical State Division new hire starting January 1, 2017, will need to work at least 30 years and be at least age 60 to retire with an unreduced benefit.
- All divisions benefited from the annualized 9.9 percent investment return over the five-year period.
- As of December 31, 2014, PERA is projected to reach fully funded status in about 38 years under a 7.5 percent long-term rate of return compared to 30 years under the originally assumed 8.0 percent long-term rate of return.
- The actual funded ratios as of December 31, 2014, for the State and School Divisions are 57.8 percent and 60.9 percent, respectively, which are slightly ahead of the original projections when SB 1 was enacted in 2010.

The General Assembly's plan is working well and PERA members have a sustainable pension plan.

Impacts of SB 1 Reforms and Plan Experience on Funded Status 2010–2014

Item	Isolated Impact Amount (to UAAL)*	Direction of Impact
SB 1 Reform		
Reduced Annual Increase	$14.6 billion	↑
Vesting Requirement for Match on Refunds	$172 million	↑
Use of Actuarially Equivalent Early Retirement Reductions	$143 million	↑
Additional Employer and Employee Contributions (AED/SAED) *State, School, DPS*	$125 million	↑
Freezing Employer and Employee Contributions (AED/SAED) *Local Government, Judicial*	($55 million)	↓
Implementation of the Rule of 85 (Existing members, with less than five years of service as of January 1, 2011, minimum age of 55)	$51 million	↑
Implementation of the Rule of 88 (New hires between January 1, 2011, and January 1, 2017, minimum age of 58)	$16 million	↑
Plan Experience (5-year Cumulative Gain/Loss)		
Market Value Asset Gain Above Expected (Annualized investment return of 9.9 percent; 2010-2014)	$4.2 billion	↑
Actuarial Accrued Liability Loss (Includes reduction in the assumed investment rate of return from 8.0 percent to 7.5 percent)	($816 million)	↓
Membership Not Growing as Anticipated	($145 million)	↓

* Each individual Unfunded Actuarial Accrued Liability (UAAL) impact amount shown reflects the major reform if valued independently from the other reforms and are shown only for purposes of illustrating magnitude. These items are interdependent and actuarial estimates, and therefore, not appropriate to sum the items to determine a total impact amount.