Tara May: Good evening and thank you everyone for joining the Colorado PERA telephone town hall. My name is Tara May and I’m the chief communications officer, and I'll be facilitating our conversation this evening. Tonight, we're here to talk about the 2017 annual report as well as the recently passed Senate Bill 200 and how those two events impact PERA’s funding status as well as how they affect you.

Right now, when you're on the call, you're in listen-only mode which means that you can hear me but we can't hear you. We want to make sure that you got a chance to ask any questions you might have. So if you would like to ask a question, just dial zero on your keypad. You'll then wait until you hear your name and at which time, you will come off listen-only mode and you can ask your question for everyone on the audience to hear.

Now, we may not get to everyone's questions today, but we'll do our best to answer as many questions as we can. And for the questions we can't get to, we request that you stay on the line after the call concludes and leave us a message with your name and number and someone from PERA will respond to you as soon as we can.

Keep in mind that a full recording of this conversation will be posted to our website at copera.org and that will be available next week. If you're looking for it, just go to the top navigation under About and drop down to Telephone Town Hall. We are really looking forward to a productive conversation this evening that will help you understand some of the recent changes impacting PERA and what they mean for you.

Again, if you have a question for us, please just dial zero on your keypad. For those of you who are just joining us, I'd like to welcome you to the Colorado PERA telephone town hall. I'm Tara May and I'll be facilitating the conversation this evening. We're really looking forward to a very good conversation that'll feature your questions which will start in just a few moments.

This evening, we're here to really focus on the 2017 annual financial report as well as the legislation that was recently passed by the General Assembly, that's Senate Bill 200. We're going to talk about how those two events will impact PERA's funding status in a very positive way, but also how those changes will affect you individually. Right now, for those who are joining us, please keep in mind that you're in listen-only mode which means that you can hear me but we can't hear you.

We want to make sure that you can ask a question if you have one. So if you do, just dial zero on your keypad. You'll be placed in a queue and when you hear your name, you'll be able to come off that listen-only mode so that everyone in the audience will be able to hear your question. Now, we may not get to all questions this evening. We've got more than 2,000 people on the call so far.

But we're going to do our best to answer as many questions as we can. And for those questions we can't get to, if you'll just leave a message for us at the end with your name, number and question, we'll get back to you just as soon as possible. If you have
to leave early, keep in mind that a full recording of this conversation will be posted on our website which is copera.org, and that should be up next week.

And you'll just go and look for the About tab at the top navigation and drop down to the Telephone Town Hall section. It's going to be a good conversation this evening. You'll have the opportunity to ask questions for interim executive director, Ron Baker, who will be joining us momentarily. But for right now, I want to welcome those who are continuing to join us as we proceed with our dial-out.

Please know that we're going to get the conversation started in earnest in just a few more minutes. In the meantime, I'll let you know what we're going to be talking about this evening, which is an emphasis on both the legislative changes that were recently passed by the General Assembly in May this year as well as our 2017 comprehensive annual financial report which was released last Friday.

Those two events together will have a good impact on PERA's funding status. They also have an impact on our individual members. So we want to make sure you've got a chance to ask any questions you may have. And you can do just that by pressing zero on your phone. You'll be queued up in a line, and once we call your name on the call, you'll be taken off listen-only mode. And you can ask a question so that everyone in the audience can hear it.

We really appreciate you joining us this evening for this conversation. It's an important one for us to be having. We know a lot of the changes that resulted from the legislation impact you individually as well as impacted PERA. But we want to make sure you've got a chance to learn more about those changes and ask any questions you may have. Again, if you have any questions, just dial zero.

While we're onboarding a few more people, I think it's all right for us to go ahead and get started. We're going to be having some opening remarks, and then like I said, we're going to open up the lines for everyone who's on the call right now. If you have a question, just dial zero on your keypad. Let's go ahead and get started. Seated next to me is Ron Baker.

Ron is the interim executive director of Colorado PERA. And Ron, for those on the call who may not have met you, would you take a minute to introduce yourself?

Ron Baker: Thank you Tara, and I want to thank everybody who's listening in tonight and taking the time to listen to this town hall. As Tara said, I'm Ron Baker, the interim executive director and I've been in this position since last December. Previously, I was the chief administrative officer of PERA and I've had the privilege to work at PERA since 1994. And I'm looking forward tonight to walking through the 2017 annual report as well as spending some time on the details of the recently passed legislation, and most importantly, answer your questions.
Tara May: That's great Ron. Thank you so much. I think that it's important for the folks on the phone to get a little bit of history about how we got here and talk about the PERA board's role in the process that ultimately led to the passing of Senate Bill 200.

Ron Baker: In November 2016, the PERA board changed two critical assumptions that related to PERA's funding status. And they made these changes based on input received from the experts that they hire on the actuarial side of the house and on the investment side of the house. First, the actuaries took a look at our membership and the good news is the membership is living longer.

Folks out there are actually ... Life expectancy are growing which is great for the membership, but it does have a negative effect on the pension system. So the board modified the mortality tables used in measuring our liabilities to reflect the fact that our membership is living longer. Secondly, the economic conditions of PERA, certainly from the investment consultant on the long-term outlook is more conservative.

So the board dropped their long-term rate of return assumption down from 7.5 to 7.25 which also had an effect on liabilities. Those two changes in combination changed PERA's funding status dramatically and changed the time it would take for us to get fully funded in our school division, which is our largest division to 78 years until we reached 100% funding. And in our state division, our second largest division, typically, eight years.

That combined effect of having amortization periods and time it takes us to get to full funding being that large a number simply put the fund at too much risk for downturn and economic conditions. And the board realized that and knew that they needed to take action. The board asked staff to go out on an extensive listening tour, getting feedback from the membership, other stakeholders, the business community, civic leaders, members of the General Assembly on really what should be the best solution forward to address PERA's funding status.

When we asked our members, more than 84% of them agreed that PERA's General Assembly needed to do something now rather than wait until the next financial crisis. The board took that information and last September, developed a recommendation of changes to the General Assembly based on the principles of shared responsibility and [inaudible 0:08:03], and keeping the defined benefit program as the key retirement vehicle for PERA going forward.

These recommendations were designed to prepare a stronger financial footing. In March 2018, the General Assembly introduced Senate Bill 200 which was the starting point for the legislative conversation. The bill was cosponsored by Senators Jack Tate and Senator Kevin Priola, and in the House by majority leader, K.C. Becker and representative Dan Pabon. The bill did go through many iterations.

It went through the House and the Senate, but it was ultimately passed by the General Assembly thanks to the strong leadership shown the bill sponsors and the willingness of both parties to compromise. In the words of Governor Hickenlooper at the signing
ceremony, Senate Bill 200 is an example of a genuine Colorado compromise. Although the final bill did not contain all of the board’s recommendations, the bill did contain many of the board’s recommendations.

And what’s most important is the bill, as passed, addressed the board’s primary objective which was to put the system back on sound financial footing.

Tara May: Ron, thank you so much for walking us through that lengthy process, lengthy and thorough process, I should say. It culminated really with the passing of Senate Bill 200. I know a lot of people want to learn more specifically about what the changes were included in Senate Bill 200 and what they mean to them. So could you walk through the components of Senate Bill 200, particularly with an eye toward our active membership?

Ron Baker: Absolutely. And I will point out that although we’ll focus on the active membership, there’s more information on our website at copera.org with complete details of what was actually passed in the recently passed legislation. In terms of the membership side, there’s two components to this. There’s the contribution side, the money coming in component and then there’s the benefit side which is the benefits being paid out.

And we’ll start first with the contribution side. Senate Bill 200 does increase the member contribution to PERA by 2% phased in over a window of time, over a three-year window of time. The first increase goes into effect July 1st, 2019 and is .75% of pay. There’s an addition .75% of pay kicking out starting July, 2020.

And then lastly, the last .5% is phased in on July 1st, 2021. So that will overall bring in 2% more from the membership going forward once all those contributions are phased in. But these contributions weren’t solely on the member side. They were also related to the employer in the State of Colorado. The state will be contributing annually a direct distribution to PERA to pay down the unfunded liability of $225 million every year.

Those contributions will be received at PERA every year until the unfunded liability is paid off. And then on the employer side, Senate Bill 1 did raise the employer contributions by .25% for most all of our divisions with the exception of our local government division. That’s the contribution side, the money end. On the benefit side, Senate Bill 1 increased the hire to average salary calculations to five years for all new hires starting January 1st, 2020.

And for any employee who had less than five years of service credit, on January 1st 2020. So if you already have five years of service credit and you’re on the phone, you will not have a change in your HAS calculation. The majority of these changes really do affect members who will be starting in the system on January 1st, 2020. The HAS for any member who has five years of service credit on January 1st, 2020 will remain in the three-year calculation as it currently stands.

When you phase into retirement, there are a couple of changes. The first being that it will now be a three-year wait to receive your first annual increase. That’s an extension from the current one-year wait. And the amount of the annual increase has been
dropped from 2% to 1.5%. This is a compounding increase which is kept as part of the package of changes, but it doesn't change any amount that we pay out.

Now retirement age, Senate Bill 1, we had this question a lot on Senate Bill 200, does not change the retirement age for existing members regardless of service credit. So the chart that you're currently on did not change as part of Senate Bill 200, but the chart did change for folks who will be hired on January 1st, 2020. They will now be age 64 before being first eligible for retirement.

Lastly, the bill also contains a provision that will ensure that … To help ensure PERA stays on the path to fully funded in 30 years with an auto-adjust provision. Think of it as a circuit breaker that allows benefit changes and contribution changes if PERA were to fall off that 30-year funding track. Those are the big changes, I think, that relate to active members.

I do want to say that what Senate Bill 200 did not change is that PERA does remain a secure retirement that cannot be outlived. You have portability within the system to move from school districts to state employment to local government without a change in your benefits. And you do have an individual account where every contribution with interest will be returned to you if you decide to leave employment and take a refund.

That does [inaudible 00:13:13]. It's a lot of information, and yes, that is a lot of changes that are being made on benefits going forward. But it does help secure the retirement security of your benefit going forward. In fact, I mentioned that we were at 78 years in the schools when we started and 58 years in the state. Based on these changes along with the solid investment year that we had in 2017, all five divisions of PERA are now projected to be fully funded in 30 years.

That is a remarkable achievement when you consider where we have started from and is certainly a huge improvement that could only have been taken care by the changes that were made by the General Assembly in Senate Bill 200.

Tara May: Ron, that was certainly a lot of information. I think the folks on the phone will really appreciate the synopsis that you gave. I want to encourage anyone who's on the phone who has more questions, I want to give you a couple of resources to consult. One is that you should be receiving a mail link. If you haven't already, you'll be receiving it over the next few days, which really overviews, in detail, all of the changes that are being made to the plan.

Second, if you've got specific questions right now and haven't gotten you mail link, you can go to copera.org, go to the News tab at the top of the page and then drop down to Legislation and you'll see a nice summary of all the changes that will impact the membership. If you have a specific question about your circumstance, just make sure that you give our customer service line a call, and that can be reached at 800-759 PERA.

On this call, what we really want to focus on are the broader, more general questions about policy, about broad changes. I appreciate your taking your individual and specific
questions to our customer service line where we’re always happy to answer your questions. For those of you who are on the phone and perhaps joined us recently, I want to let you know you're on the Colorado PERA telephone town hall.

If you've got a question for our interim executive director, Ron Baker, please just dial zero on your keypad and we'll connect you with someone who can put you in a queue, and you'll come off your listen-only mode and you can ask your question for the entire live audience to hear. We've got quite a few questions right now, and so I think it probably makes sense for us to go ahead and start taking some of those questions that we've lined up. So let start with John from Arvada. John, please go ahead with your question for Ron.

John: Hi. I just want to know how much less we're going to receive when we retire and how much more do we pay now?

Tara May: John, I'm going to let Ron get to your question but your voice was a little bit soft on our end, so I just want to repeat that question to make sure that everyone on the call can hear. For those who are going to be joining us and asking a question, just make sure that you speak up so everyone can hear you. John wanted to know how much will the contribution increase. So how much less will his paycheck be? And then what's the impact going to be on his retirement benefit?

Ron Baker: John, in terms of coming out your paycheck, there will be 2% of pay over the next three years phased into ... Your paycheck will be reduced at the end of the phase by 2% of the pay. As mentioned earlier, it is .75 starting in July of ’19, an additional .75 in July, 2020 and then the last .5 in July 2021. In terms of your benefit, in terms of the base benefits, nothing changed.

If you have more than five years of service credit, your HAS stays exactly the same. The calculation of your benefit in terms of the percentage of the number of years that you worked time to your HAS with what is called the multiplier did not change. So the base amount, really, for active employees with over five years of service credit were not modified to the Senate Bill 200.

There is a reduction in future increases, that the amount of the annual increase did get reduced from 2% to 1.5%. Certainly, what that will mean over the long-term is dependent on how long you are in your retirement. But in terms of the benefit amount, the base calculation of your benefit did not change through the provisions of Senate Bill 200 for currently active members.

Tara May: John, thank you for dialing in. We've got quite a few folks on the phone and we're going to have ... We've got a lineup that will include Jeremy, Dave and a few others, Laurie. So please stay on the line and we'll get to you question momentarily. But let's take Jeremy's call from Denver. Jeremy, you're on the Colorado PERA telephone town hall. Thanks for joining us.
Jeremy: Thank you. My question is why don't we move to an indexed bond which has historically outperformed the current model of going to Wall Street experts?

Ron Baker: Sure Jeremy. That is a great question. Certainly, we've been receiving questions in this vein related to ... since an article was printed in Westword related to our investment fees, and certainly been questions related to the fee structure that we pay in a number of our ... in our private asset classes. I'll certainly answer the question, is we invest in private equity and our more liquid asset classes because we've specked over time for them to outperform the public markets.

And historically, they've done so. Yes, there are fee structures related to that. The fees are very small related to the overall set of assets. And your question to the indexed fund, we did a calculation and we were looking at the last 20 years. If we were to take the private equity funds that we invested in and had moved them to our current asset allocation, which is a diversified portfolio, we would be $3.6 billion less in total value in the fund.

That $3.6 billion is what we use to pay benefits. So we would see the changes in Senate Bill 200 might have been more of an increase in employee contributions and more of a change in benefits due to the fact that if we had not been invested in these asset classes. They are intended as partly as a diversifier. In terms of the total portfolio, we have money in a number of different vehicles.

We have real estates, we have private equity, we have invested in global equities market, we have an opportunity fund, we have fixed income. So we invest in a broad portfolio so that we're not really putting all of our eggs in one basket, if you think of it that way. And overall, this asset class, private equity has outperformed in the way that's been expected.

Yes, there are fees paid. There will always be fees paid to manage money. PERA works very hard to lower those fees, because it's a good time to talk about transparency of fees. Certainly, in that article, there was a question as to whether or not there's transparency in the numbers. The PERA board, which has oversight into this indoor investment program has absolute transparency into the fees that we pay so that there is oversight over the system.

It is not something that we do not monitor and take very seriously, and your PERA-elected board, 12 of which are elected by the membership, have absolute transparency into the fees that we pay going forward. I really appreciate the question and have a chance to address some of them, I'm calling them inaccuracies, but some of the misconceptions that came out of the Westword article.

Tara May: Great. I think it's also important to just underscore one of the points you made which is on the 60% of our assets are managed by internal professionals, which also helps save a little bit on our expenses there in terms of investment management fees. I want to remind everyone who's on the line that if you have a question for us, just dial zero on your keyboard.
We may not get to all the questions this evening, but for those that we don't get to, we'd like for you to leave us a message with your name and number and we'll be sure to return your phone call as soon as we can. Also want to remind you that if you are unable to attend the entire town hall this evening, that a recording of this conversation will be posted on our website, copera.org within the next week.

We really appreciate having you here. You're here this evening with interim executive director, Ron Baker. And let's go to another question about Senate Bill 200 from Dave who's in Durango. Dave, you're on the line. Go ahead with your question.

Dave: Hi Ron. Good evening. This is Dave from Durango. My question was I saw the funded status for the school division went from, I think you mentioned, 78 years down to 30. And then some of the other divisions went down into ... I think, the state, was it 27 or 28 years? With respect to the scheduled increases for employees and employers as well as the 225 million that the state is going to be adding into it, are those scheduled increases already built into that 28 or 30 or 15 years for each division or have those yet to be calculated into them?

Ron Baker: What a great question. Yes Dave, those increases in contributions from the employee and the employer, and the direct distribution from the state are factored into the projections that our actuaries run looking at our funded status. So that 30 that I mentioned, and it's 27 in the state, and it's in the teams in our other divisions considers the future increases in contributions, and that 225 million annual direct distribution from the State of Colorado.

Tara May: For those who are on the line right now, we want to thank you for joining us for Colorado PERA telephone town hall. If you have a question, dial zero on your phone. You'll be connected to a queue which you can wait there until we can get to your question. But right now, we've got another question about our investment program, lots of interest in our investment program, so it's a good topic for us to address.

We're going to take another question from Laurie who's in Peyton. Laurie, if you're on the line, please go ahead with your question.

Laurie: Good evening everybody. This is Laurie in Peyton. My question is concerning our proactiveness regarding investment strategy. There's been a lot of news, especially recently regarding what might happen with tariffs on international trade. There's also speculation that after 10 years of liberal economy, we might be looking at another recession in the next year or two.

So what is our investment team doing to try to avoid some of the really sharp dips that we saw in the last couple of recessions so we don't have to come back with our hand out again perhaps in five or 10 more years because the market went south?

Ron Baker: Thank you Laurie. That's a nice question. PERA is a very long-term investor and we have a very diversified portfolio. As I mentioned, we have money in real estate, we have asset allocation that includes private equity and opportunity fund, global equity. That's really
one of the major issues that's hedged against you, if you think of those hedges about whether you're trying to time any particular part of the market.

We really don't try to time the market. We're not looking at any window of time and saying, "This is the high end of the market. We need to move money out." Again, we're a long-term investor where we're paying benefits to people. There's somebody hired today that we'll be paying benefit for 60 years from now. And that's the perspective that we really look at in our investment program, is to look at long-term outlooks and moving those forward.

The program's designed to really perform well in all types of environments to the best that it can. Certainly when there's a great financial crisis when there was no place to hide in terms of the investment market, that's one thing. But overall, we have money across the globe in a lot of different asset classes. Our investment professionals are looking at, again, the very long-term perspective, not trying to place bets on when the market is going to move one direction or the other in a short window of time.

That's really the strategy that has served PERA well. Our long-term rate of return is over 9% over a 30-year window. If you look at our numbers from an investment perspective over the long-term, this strategy has served the State of Colorado and the membership very well.

Tara May: I think Ron, to the point you made about diversification, our members might be interested to know also where our fund is diversified over five different asset classes, which is the allocation for which is set by the board. So certainly, that component that you mentioned about diversification, really important for weathering all kinds of economic conditions.

Ron Baker: I should add one other point to that is the board, every five years does what's called an asset liability study which they look at the strategic allocation of the program to match it to the long-term liabilities and ensure that we are investing money to be able to pay for those benefits that have been promised. And they will start that process again here in 2019.

That strategic allocation will be modified based on what they receive from their experts and the information that they get at the end, looking at trying to match our investment program to the long-term liability of the system, not to a short-term movement in the market.

Tara May: Excellent questions coming up about our investment program. We really appreciate all of them. We've got another question from Sherry in Comer City. Sherry, if you're on the line, please go ahead with your question.

Sherry: I've been with the state for about 19 years and I plan on staying maybe some 40 years, 40 years I'd be putting in because I've got a mortgage on my house. But I was wondering is if PERA is going to pay full benefits, is what I heard after 40 years. But I'm not sure since they've changed all this.
Ron Baker: Well, absolutely Sherry. Congratulations that you're planning on working for 40 [inaudible 00:26:58]. That is excellent. But PERA's benefits did not change with the recently passed legislation. If you worked 40 years, you would be eligible for 100% of your HAS. That did not change in Senate Bill 200. And I'll say if you do a 40-year career in the State of Colorado, great congratulations for your work that you've done for the state for all that time.

Tara May: That's great. Certainly, we've got lots of folks who like public service and like serving the people of Colorado. For those of you who have questions on the line, you can dial zero on your keypad and get into a queue to ask your question. If we don't make it to your question this evening, then please stay on the line, leave your name and number and someone from PERA will return your message as soon as possible.

For those of you might be just joining us, you're on a telephone town hall discussion with Colorado PERA interim executive director, Ron Baker. Let's go to our next question which is from Kelly who is in Colorado Springs. Kelly, welcome to the telephone town hall. Please go ahead with your question.

Kelly: I was wondering you're [inaudible 00:28:07] been here for three years. I was with PERA for three years. But you said some things are for five years [inaudible 00:28:13]. Where does that leave me at?

Tara May: Kelly, you cut out just a little bit, so I want to make sure that we repeat your question, which I think is that you've been working at a PERA employer for about three years. And you're wondering how these changes that were affected by Senate Bill 200 will impact you. So I'm going to turn it over to Ron to answer that question.

Ron Baker: Kelly, what I was saying is that if you have five years … If you've been at the company for five years as of January 1st, 2020, the provisions that affect the highest average salary calculation will not affect you. Since we're sitting here in June, if you're 18 months … If you will have over five years of service credit in the next 18 months, then those changes will not affect you.

If you do not, if it's three years and you're short of five years, then your highest average salary calculation will go from a three-year window to a five-year window. But that's really what it gets down to. To invest into the PERA system, it's five years of employment and it really will come down to … It sounds like you're probably right on that edge without knowing exactly if it's … Well, you're out on the three years.

That's the fine line that you're sitting under. If you have five years as in 1/1/2020, it will not affect you if you're just under and it will move your HAS calculation from a three-year calculation to a five.

Tara May: Those are important, clarifying questions. We know that not everyone on the phone is going to have an opportunity to ask a question as part of the live audience. So we want to make sure that we're getting your input nonetheless. And so we'd like to do a polling question. The only requirement to participate is to hit a number on your keypad.
The question is this, we'd like to know what you think about the information PERA has provided you about the recent changes included in Senate Bill 200. So let us know. Hit number one if you think PERA has provided the right amount of information. Press number two if you think PERA has not provided enough information and press three if you think PERA has provided too much information about all the changes.

So again, this is a little bit of a Goldilocks and the three bears question. Press number one if we've provided just about the right amount of information, number two if we have not provided enough information to you, and number three if we've provided simply too much information about all the changes. We're still receiving your input right now and I'll share with you the results of the polling questions later on in the call.

If you have a question, just dial zero on your phone and you'll be connected to a waiting queue where we'll be able to take your call just as soon as we can. Let's go on to another question from one of our members on the phone. We've got Carol who's in Littleton. Carol, welcome to the call. Please go ahead with your question.

Carol: I was just wondering if this a myth or a truth that the fund is actually 30% … has a 30% unfunded liability. And then a second part of it is, is this going to be adequate or is this going to be enough or are we going to have to continue to do things down the line to make sure that PERA is viable in the future?

Tara May: Well, go ahead Ron. I'm sorry.

Ron Baker: I'm sorry. Thank you for question. I think the question of a rumor about 30% unfunded are not … Our funded ratio coming out of the changes in legislation is on an aggregate at 61%. So there is a gap of 40%. Our unfunded in terms of an absolute dollar figure was 32 billion and now, it is $28 billion. So I'm not sure if the question relates to the dollar figure or the percent funded.

But to your … I think the broader question, is this enough? And that is an absolute great question. That is why the feature that was placed in the bill by the General Assembly which is the auto-adjust nature is intended to, to the extent possible, address that question. Eight years ago, the General Assembly passed Senate Bill 1, and that was with the intent of having PERA funded within 30 years.

Had things stayed the same in terms of mortality and the outlook on investments, we'd probably be on that track right now. But things shift over time. Folks are living longer, which is, again, great for the membership, does have effect on the pension system. So to not really be in a position where in eight years, we are back at the General Assembly asking for further modifications, the auto-adjust feature is built with the idea of keeping those changes going small if we need them as we flow through time.

It will allow us to be more nimble as an organization on keeping the system on track to fully funding. I would never state that this is the answer, that we would never had to reconsider our minds to it or put it away and never worry about it again. It is something that we need to continue to monitor, but there are now stop gaps and features insides
Senate Bill 200 which should allow us to do a much better job of staying on track with that 30-year funding status.

So I'd say ... So your question is will we ever have to be back? I certainly hope not, but you never say never. But again, this feature is intended, this auto-adjust feature is intended to keep PERA in that 30-year track without needing to go back to the General Assembly for changes.

Tara May: There are certainly a lot of moving parts to everything, which is why it's really critical for everyone to have the factual information you need about PERA. As I mentioned before, if you've got questions about some other components of Senate Bill 200, you can consult any number of resources that we have available to you, a mail link that's coming out over email or US Postal.

We've got materials on our website. Just go to the News dropdown and then look for Legislation, you can find out what you need to there, or by calling our customer service line. We're here to help answer any kind of specific questions you may have. Let's get back to our calls. Jennifer from Colorado Springs, welcome to the telephone town hall and please go ahead with your question. Hi Jennifer. Are you on the line?

Jennifer: Yes, I am.

Tara May: Go right ahead. We're ready for your question.

Jennifer: Thank you. I am a long-time PERA employee, so I understand how my benefits will and will not be affected. My son is getting ready to enter the workforce and is looking at a PERA job. I understand the changes that will be in effect January 1st, 2020. One thing that wasn't clear to me, if he is hired before January 1st, 2020, will the new age requirement for retirement benefits be applied to him? Or if he is hired before that, will he be under the old system of age?

Ron Baker: That's a great clarifying question for us to clarify. If he's hired before January 1st, 2020, he will be ... His age chart will be the chart that folks who were hired to or under. So it moves to age 64 for those who are hired on or after January 1st, 2020. Folks hired before that will have the chart that they're currently on or if they're new hires, the chart that is being applied right now. So they do need to beat the age thing as to be hired before January 1st, 2020.

Tara May: I want to go ahead and share with everyone who's on the line the results from the polling question we asked. We asked what do you think of the information that PERA has provided to you about all the recent changes? We had 77% of you thought that PERA had provided just about the right amount of information, 22% said PERA had not provided enough information, and just 1% thought that PERA had provided too much information about the changes.

We really appreciate your input, helps us serve you better. And for those of you who are not receiving enough information, we'll be sure to continue to educate and inform our
membership. And please, as always, feel free to consult our website or PERA on the Issues, which is our public policy blog, has a lot of good information about Senate Bill 200 and the changes that were included in there. You can find it peraontheissues.com.

Let's get back to taking some of your phone calls from the audience. We've got Leah from Superior. Leah, please go ahead with you question.

Leah: I wanted to know at what date will sick leave payout be subject to PERA withholding?

Ron Baker: Leah, that provision was effective on the signing date of the bill, so folks who leave employment, those sick leave payouts should be removed to PERA starting on June 4th.

Tara May: That was one of these here answers, and we've had to ... Again, that happened very quickly, again, upon passage of the bill. Let's go ahead and see if we can get some more questions in terms of perhaps our investment program. And again, we've got Ronald who's in Oregon. Ronald, go ahead with your question.

Ronald: This is Ron McCurry from Florence, Oregon and I'm a retiree. I was not able to join the town hall this morning. My question has to do with, it appears that after the 2008/9 recession, that PERA had a really good handle on the investment rate of return. So my initial question is what happened to precipitate the current crisis that has caused retirees to forego any cost of living increase for like three years?

That seems a little extreme, especially when retirees don't have the ability to make up that loss easily. And depending upon that answer, I would like to have a follow-up question.

Ron Baker: Appreciate the question and I'm glad you were able to make this call. Sorry we missed you for the call earlier today. The current situation in terms of the extension of the unfunded that precipitated the board's action and the General Assembly moving forward was a couple of things. As you mentioned, coming out of the financial crisis, reforms were put into the system.

And they were based on a couple of items, one being an 8% long-term rate of return assumption, and certainly mortality tables that were in place in 2010. As we continued to look and monitor this system as we always do, from our experience, the actuary showed that our membership is living longer and they're living that longer life expectancy, as I said earlier, which is great for the membership.

It does mean we're paying more checks out than we certainly expected to pay when the reforms were put in place in 2010, which extended the period. That change in mortality table is one piece of the equation that put us in this moment where we had to make a change. The second is looking at the long-term investment markets. Certainly, the best consultants are less bullish on the markets looking forward than they were in 2010.

The board recognizing that, has dropped the long-term rate of return assumption from 8% in 2010 to a current 7.25. If you're not making as much money on the money, you
need to extend the liability to the time it takes to pay it off. Those two things in concert are what really drove the modification in the unfunded liability. They were based on ... The board did not make these decisions at a whole [inaudible 00:40:13].

They made them by taking a very close look at what is being recommended to them by their experts going forward. It’s those two items. And I certainly do understand, as we talked in the earlier conversation with retirees, that change in the annual increase does have an effect on purchasing power. The board recognized that. They were very, very cognizant of the fact that they wanted to ensure that the annual increase stayed as a compounding collate so that it kept somewhat a measure of inflation protection.

But that is the bottom line, is that membership is living longer and the outlook on economics has changed over time. And that precipitated the change that the board recommended in the General Assembly. That was the framework for what the General Assembly passed in Senate Bill 200.

Tara May: Certainly, the compounding effect of people living longer and the lower rates of return had a significant impact on our funded status. So thank you for that question. And I think we’re ready to move on to our next question, and appreciate all kinds of questions that we’re getting in here this evening. Right now, we’ve got Sheila in Arvada. Sheila, welcome to the telephone town hall and please go ahead with your question.

Sheila: Hi there. Thank you. I’m under a group within the education considered classified, whereas teachers are certified. And classified is PERA’s teachers age, technician, staff support, that thing. We’re paid out a little differently where I’ve been employed within 17 years of my life. But we don’t get paid over the summer, so they don’t count as part of our years. So our years are shortened even though we stay the full amount of time.

But what my concern is, is I’ve tried to find out what our changes are or how the PERA affects us and what our retirement will be with that? But it seems we always have to go through an avenue of a representative that has a 403 financial program. I just want to know, and I’m sure people in my position do, how do we find out about our specific PERA benefits and retirement so that then we can choose the other additives we wouldn’t?

Ron Baker: Thank you for the question, Sheila. I think there’s confusion there related to how we get information out of PERA. I think broadly, there’s certainly the difference within the school districts of what is considered classified and certified teachers versus not. But from the PERA perspective, it works very similar that for every month, the service credit you earn, that is service that is earned towards your retirement.

Your salary is calculated in the same manner in terms of a highest average salary calculation. Your retirement age is not different than somebody who’s classified versus certified. We have a number of avenues for education. The call center would be able to answer a more specific question if you call 1-800-759-7372. Or if there are a number of you that are at a school district, we have, through our field education staff, the ability to
have folks come out and to give education to broader groups of membership about their PERA benefits.

So I think broadly to your question, there's not really a difference from the PERA benefit perspective, whether you are classified or certified. It may be a difference in how service credit is earned. But the benefit calculation is the same whether you're a teacher or a non-teacher. Hopefully, I've answered that question. If not, there are a number of resources here in the organization that can get into much more detail and be able to set something up to answer your question for you and others who may have this question at where you work.

Tara May: Lots of questions still coming in about PERA's funded status and the impact of Senate Bill 200 on PERA's funded status. Let's take a call from Kyle in Greenwood Village. Kyle, you're on the line. Please go ahead with your question.

Kyle: Yes, hi. Good evening Ron. So I'm currently at 27 years old. And if there's one thing that I've learned from this entire crisis is the importance about thinking of retirement early on. That said, I probably don't plan to retire for at least probably the next 35, possibly 40 years.

So that being said, and specifically for the PERA members who are in the age group of the millennials, do you have any long-term projections or forecasts as to how the board is taking steps to secure PERA even beyond the 30 years? And what are the ultra-long goals of PERA and the protections, if any, that are being put into place? Thank you.

Ron Baker: Good question, Kyle. It's always good to hear from our younger membership, is that they're starting to think about retirement earlier on because that's what we do, and it's always great to hear folks that have got that mindset going forward. In terms of the future, as PERA gets to 100% funded and gets to that point in which we have no unfunded liability, it doesn't mean that we stop taking contributions and that we stop monitoring and ensuring that we keep the system in a solid state, solvent going forward.

I would think that the future board, when it got to that level, would be looking at ensuring that the contribution stream continues to go, that the General Assembly does not say, "Well, it's 100% funded. We needed to slow the stream down." And the future board will be looking at any enhancements in benefits. Any changes in benefits are paid for. If nothing was learned from the point in which PERA was overfunded, there may have been a giveaway or an increase in benefits that didn't think through that there could be a down market cycle.

So I would hope that future board in 30 years would be looking at and working with the General Assembly to ensure that we're not really enhancing benefits to a position that would make it and put us right back in that same position. But in terms of what a person could do as a member going forward, the defined benefit is just one leg of the stool, and we offer a very, very robust, defined contribution program, a 401(k) and 457 if your agency is affiliated with that.
I would suggest, to the extent possible, that you're able to put additional dollars in there, we offer a very low fees structure to help enhance your retirement, so not relying solely on the defined benefit which is a very solid and very good benefit. But certainly, there are other things that could be done if somebody is looking at planning for retirement that are beyond just the defined benefit program.

As I say, we offer a great program and if you're not in, I would suggest really taking a really good look at it because it certainly would help down that 30-year road of having additional savings on top of the defined benefit program.

Tara May: In spite of all of the changes, Ron, just to underscore what you said, the benefit remains incredibly competitive with not only other states that offer public pensions, but also certainly, the private sector. I wanted to ask if we could get some more input from all of our members who are on the line right now and go to our second polling question. What we want to learn from you all this evening is where do you typically get a majority of your information about PERA?

Again, we know that you probably consult a range of sources to learn more about PERA. But where do you get the majority of your information? So one is the Colorado PERA website, that's copera.org. Two is PERA on the Issues website and blog. That's our public policy format. Three are emails or newsletters from PERA directly. Four, telephone town halls like the one you're on right now. Or five is the general news media.

I'll run through those again. Where do you get a majority of your information about PERA? Is it number one, Colorado PERA website, two, PERA on the Issues website and blog, three, emails and newsletters directly from PERA, four, telephone town halls, five, the news media? We'll take your input and then we'll report out on the reaction to that question in just a few more minutes.

But right now, we want to take some more questions, certainly, about the impact of Senate Bill 200 and other changes on the horizon. So let's take Leah. Leah, you're on the phone right now. Please go ahead.

Leah: [crosstalk 00:48:40]. Oh, [inaudible 00:48:43].

Tara May: What's going on? We'll move on. I don't think that that one was working out for us. So let's take the next one. Let's try Gary in Aurora. Gary, welcome to the telephone town hall. Please go ahead with your question.

Gary: I have two questions, and I might have missed the first part of this. I was listening to the news media and they said that the state was going to implement a $225 million to the program, and that would allow us to retire at early age around 60. And I don't know. Did that go through or are we still at the current 65? The second question is related to the investments. I know you got five excesses to the investment.
But my question to you guys was are those strategies available to the PERA personnel such as the retirees and the current people that are adding money into the program? Are those strategies available for us to look at?

Ron Baker: Gary, I will answer both of those questions, that yes, in Senate Bill 200, there is now a direct distribution from the State of Colorado annually of $225 million, which is going to be put towards retiring the unfunded liability. Now, the age 65 question, we currently really don’t … We have age 65 as an upper end, but age 60 is the first age for full service retirement eligibility for our most recent set of hires.

For those hired in 1/1/2020, it moves to age 64. So that 225 is coming in. That is true. The state will make that distribution to pay down the unfunded liability. There will be changes in retirement age but none of those changes in retirement age affect, currently, active employees. The chart that you're currently on is the chart that you will stay on after the passing of this legislation.

In terms of our investment information, yes, to the extent that we are allowed to have it public, it is public. If you go to our web page at copera.org in the investment section, there is a wealth of information related to the board’s strategic asset allocation, top 10 holdings within the fund. About as much information as you could possibly want related to our investment program sits on our PERA website.

The only place that we do have information that is the oversight of the PERA staff and the PERA board relates to the private equity program, and now it’s related to state statute. But I certainly encourage you to go to the CO PERA website under our investment section and dig away, because we offer a great deal of transparent information about our investment program.

If you want even more, we just released our [inaudible 00:51:27], maybe almost 300 pages. And there’s an investment section in there that will tell you everything in the world that you’d want to know about our investment program.

Tara May: Certainly on for our members, plenty of opportunities to learn more about investment program. I want to go ahead and share with you all the results of the poll that we just asked you about, because we were interested in how you get information about PERA, might help us better serve you. If we look to your responses, 60% of you are getting your information about PERA from PERA emails and newsletters.

19% are getting information from the copera.org website, 11% of you are getting a majority of your information from telephone town halls, 8% are getting a majority of your information from the news media, and 2% are getting information from the PERA on the Issues website. You haven’t yet checked out our PERA on the Issues website, I encourage you to do so.

It gives you a lot of information about public policy matters, a really good history of Senate Bill 200, anything you’d want to learn about the legislation that just passed. Let’s
go ahead and get back to some of the questions that we've received from our audience. Let's go to Kate who's in Burke. Kate, you're on live. Please go ahead with your question.

Kate: Hi, thanks. This might be a quick one. My question is whether the five-year service requirement as of 1/1/2020 includes reinstated or purchased years?

Ron Baker: Kate, you're right. That is a quick one. Yes, it does. If the purchase agreement is paid off before 1/1/2020, that service credit will be included in the calculation of five years.

Tara May: I think you've got to love the easy answers. This has been such a complicated issue. We really appreciate you guys sticking with us to learn more about the changes including the Senate Bill 200. We've got time for a few more questions before we have to adjourn. Let's go to Jen who's in Denver. Jen, welcome to the telephone town hall. Go ahead with your question.

Jen: Hi, thank you. My question's not exactly about the new PERA changes but it impacts everyone who [inaudible 00:53:29] PERA and that's the Windfall Elimination where we get out full PERA. But if you also are invested in social security, you don't get your full social security benefits. I know though people in other lines of work and other pension programs receive their full pension and their full social security.

Do you have any insight into why that legislation was passed, what the thinking behind it was? Do you see any possibility for that legislation to be changed? If so, how do we go about initiating that change?

Ron Baker: Excellent question, Jen, excellent question. I'll walk through them one at a time. Why PERA, Colorado PERA and you mentioned other systems get both social security and their pension, it relates to the fact that PERA is a replacement for social security. Or if you're in a pension system where you're paying into social security and into another pension, the Windfall Elimination Provision doesn't apply.

So it applies to systems like ours where we are a replacement for social security. The idea behind it, and agreeing or not, which I don't really agree because it says that that work ... You don't need that money. The thought of the federal government is that you've done a good job through a public pension like PERA and we're going to reduce the amount of social security because you have a pension that was received in lieu of social security.

Certainly, moving that forward in time or moving that in terms of modification, that is a federal law. This bill is introduced most every year. It doesn't get a lot of traction in terms of changing it because it is money into the federal government. So this elimination provision, paying less of that into social security does help the Social Security Trust Fund.

Really, without a compensating, how would you make up for the cost of removing the elimination provision? That's where Congress, at a federal level, is being held up, is they need to replace that income if you're going to remove the provision, which I would
agree with you, is an unfair provision to those who have worked their career and then go into public service and have their social security reduced.

That is a question at the federal level, and what's held it up over time is simply is how to pay for it. In terms of what you could do going forward is I would suggest you speak to your local congressman and your senator and voice your complaint. They certainly know the issue, but I think a loud voice that gets to, "This is important. We have worked those jobs. We have earned that money and it does seem unfair that it is eliminated going forward."

But I don't know if there's much traction at that level because they can't seem to agree on how to fund the difference that would make up for it if they were to remove the Windfall Elimination Provision.

Tara May: Jen is not alone. We certainly have a lot of members who are curious and concerned about that Windfall Elimination Provision. But let's move on to our next call and see how many we can fit in before we need to sign off. Let's try Matt in Pueblo. Matt, you're on the line with us.

Matt: Hi. I just had a quick question. Now, and being that employees and employers are being asked to increase their contributions to help the longevity of PERA, what type of precautions is the administration and the board with PERA taking into consideration on how they’re spending the money from … learning from the past with conventions and stuff like that with the excessive spending? How are they taking help in … What are they doing in place to help take care of the money that goes for PERA and our money that goes into the retirement funds?

Ron Baker: Great question, Matt. Thank you. The PERA board is focused on two items. One is the investment program, overseeing the investment program. I assure you that that runs effectively. Secondly, is the effective administration of the PERA benefits. We measure that, our administrative expenses, through an outside party called CEM.

And we continually come out to be a low cost provider of benefits and a great service provider of benefits. The question of what we're doing in terms of monitoring that money, the PERA board is made up of 16 members. 12 of them are elected by the members and the retirees. They are members of the system themselves.

So this is their money that is being spent as well, so they provide very close oversight into the dollars that we spend in administering the program because it is their money as well. I can assure you that that is ... They get a bunch of reports at every board meeting. They get them every month and they monitor our expenses.

I think in the past, there were, certainly, changes that were made in terms of where conferences were held. Those are type of things that the board takes very, very seriously now and going forward. We run a very tight ship. In terms of what you could do for the unfunded though, is that the equation comes out, the contributions flip the investments. So we really need to tie the benefits and the expenses.
The expenses, our entire budget is less than $80 million a year. It's a $32 billion unfunded liability. On the expense side, we will continue to pinch pennies and do anything we can to ensure that all that we do is solely for the exclusive use of the membership. But that's really not what will move the needle.

But rest assured, your PERA board, which is predominantly made up of members and three governing appointees and then the treasurer, are very focused on our expenses to ensure that we are not spending the members' money on anything that does not either deal with the investments of the program or paying and dealing with the administration of paying benefits.

Tara May: I think we're got time for one final question in this evening's telephone town hall. So let's welcome Pat who's in Nunn. Pat, you’re our last caller of the evening. Please go ahead.

Pat: Thank you and good evening everybody. I just was wondering, besides the COLA suspension, are there any other effects on PERA members that are retiring, let's say in the next month to their benefits? And also, with the new legislation that passes, is there any other effects for those people moving forward?

Ron Baker: Pat, I can think of a couple of things. For those who are retiring in the next 30 days, the timeframe, the wait time for getting your annual increase extends from one year to three years, which is the two-year window in which the COLA is being suspended, so really, in that effect, of no COLA being paid. But it does extend the wait period that additional two years.

We have a number of people who retire and then do what's called a transition year or work after retirement, and that is something that that contribution increase that I mentioned does apply also to working retirees. So if you're thinking of going back and working, be a 110-day working retiree, those increases in contributions would also affect you ask well. But really, those are the two major changes going forward for retirees.

There are not a lot of changes, but they are certainly significant changes when you look at the reduction in the COLA and for new retirees, the wait time before you first get your first annual increase.

Tara May: We thank everyone who's on the call this evening. And with that, we have to conclude tonight's telephone town hall. As I mentioned, if you still have a question that wasn’t addressed here, please stay on the line after the call ends. Leave your name and number and someone will reach out to you as soon as possible. We know that this call has covered a lot of ground.

We've talked to you a lot about PERA's funding status, about Senate Bill 200, about our investment programs. And we're always here to clarify any questions or concerns you may have. Thanks for joining us and as always, please visit copera.org, our website, PERA on the Issues, The Dime, colorado.com for information about financial literacy and
details of all aspects of our operations can be found through those channels. Thank you again. Good evening.