

# THE FUTURE OF PERA

SECURE | PERA  
COLORADO COALITION FOR RETIREMENT SECURITY

# WHO IS THE COLORADO COALITION FOR RETIREMENT SECURITY?

- The Colorado Coalition for Retirement Security (CCRS) supports retirement security for all Coloradans
- We represented current employees, retirees and some employers inside the PERA system to design SB 10-001
- Have spent the last several years working to keep Senate Bill 1 in place and to allow it to work
- The CCRS Steering Committee is comprised of the following 9 groups:
  - [AFSCME Colorado,](#)
  - [American Federation of Teachers Colorado,](#)
  - [Association of Colorado State Patrol Professionals,](#)
  - [Colorado Association of School Executives,](#)
  - [Colorado Education Association,](#)
  - [Colorado Professional Fire Fighters](#)
  - [CSPERA – Colorado School & Public Employees Retirement Association,](#)
  - [Colorado WINS,](#)
  - [Friends of PERA.](#)

# WHAT IS PERA?

- PERA is invested into by over 9% of Colorado's citizens
  - PERA is the 21<sup>st</sup> largest public pension plan in the United States
  - PERA is a substitute for Social Security for public employees
  - PERA's average benefit payment is less than \$3,000 per month
  - PERA is an economic generator of over \$3.2 billion a year into Colorado's economy
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- **YES, you heard that right PERA puts over \$3.2 billion annually into Colorado's economy**

WHERE DOES PERA'S MONEY  
COME FROM?

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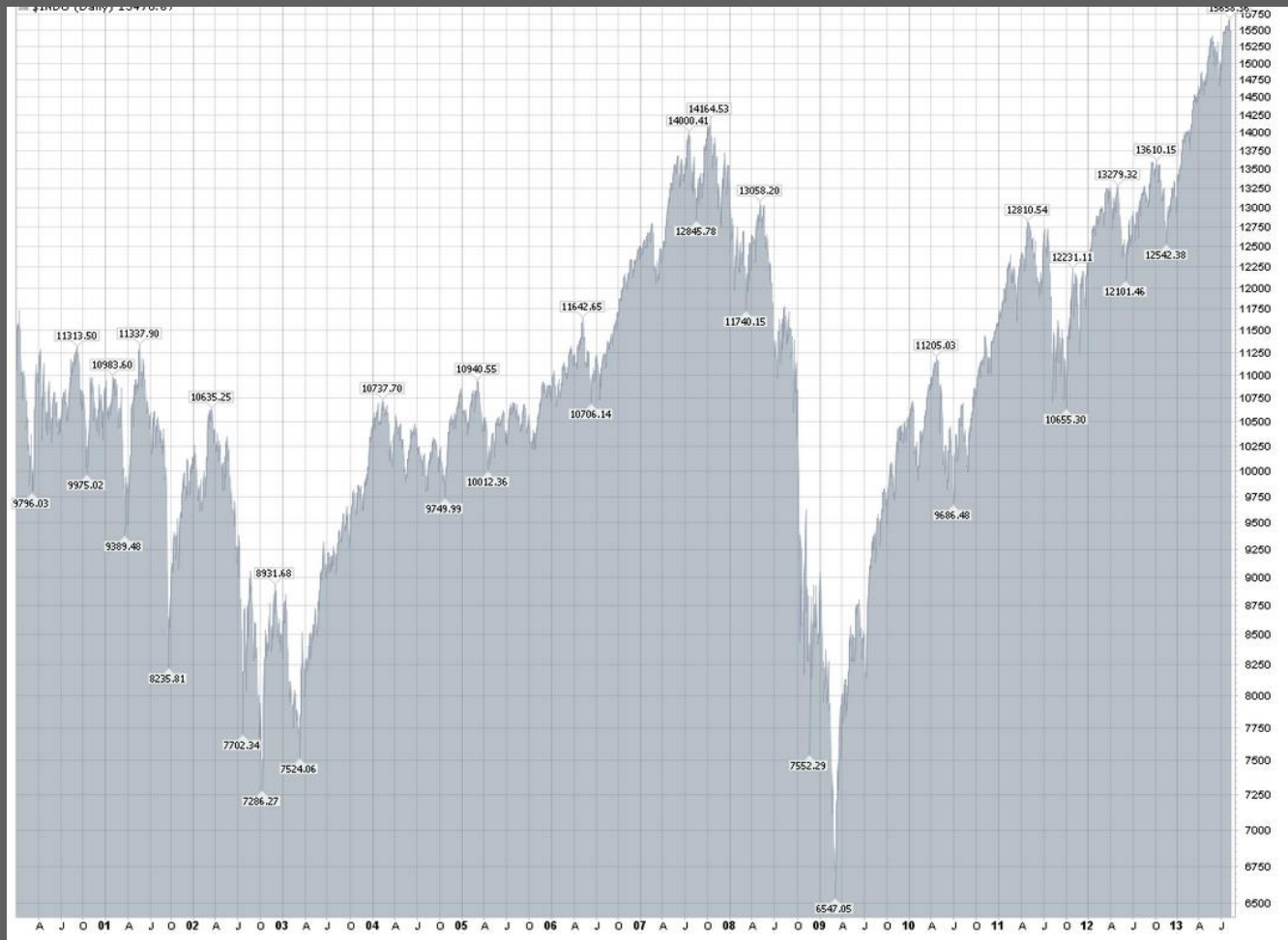


20% comes from Employee Contributions

20% comes from Employer Contributions

60% comes from Investment Income

# STOCK MARKET



- 64% of the dollars in PERA come from investment gains.
- The stock market has had two large down swings in the last 20 years – 2001 & 2002 and again in 2008.
- In 2008 the PERA portfolio lost 26% or \$11 billion.
- PERA still weathered the downswing better than most – other pensions plans averaged -26.8% and 401(k)s averaged 27% decline

# UNFUNDED LIABILITY



- PERA is currently 63.1% funded. The unfunded liability is \$21.997 billion
- That is up from 61.2% funded in 2011.
- The State Division is expected to be 100% funded in 36 years
- The School Division is expected to be 100% funded in 34 years

\$9 Billion in liabilities have been eliminated since the passage of Senate Bill 1 – 90% of that burden was shouldered by employees and retirees, not taxpayers! With Senate Bill 1 in effect we will have eliminated a \$30 billion unfunded liability over 30 years.

WE TOOK DRASTIC STEPS TO  
FIX PERA IN 2010



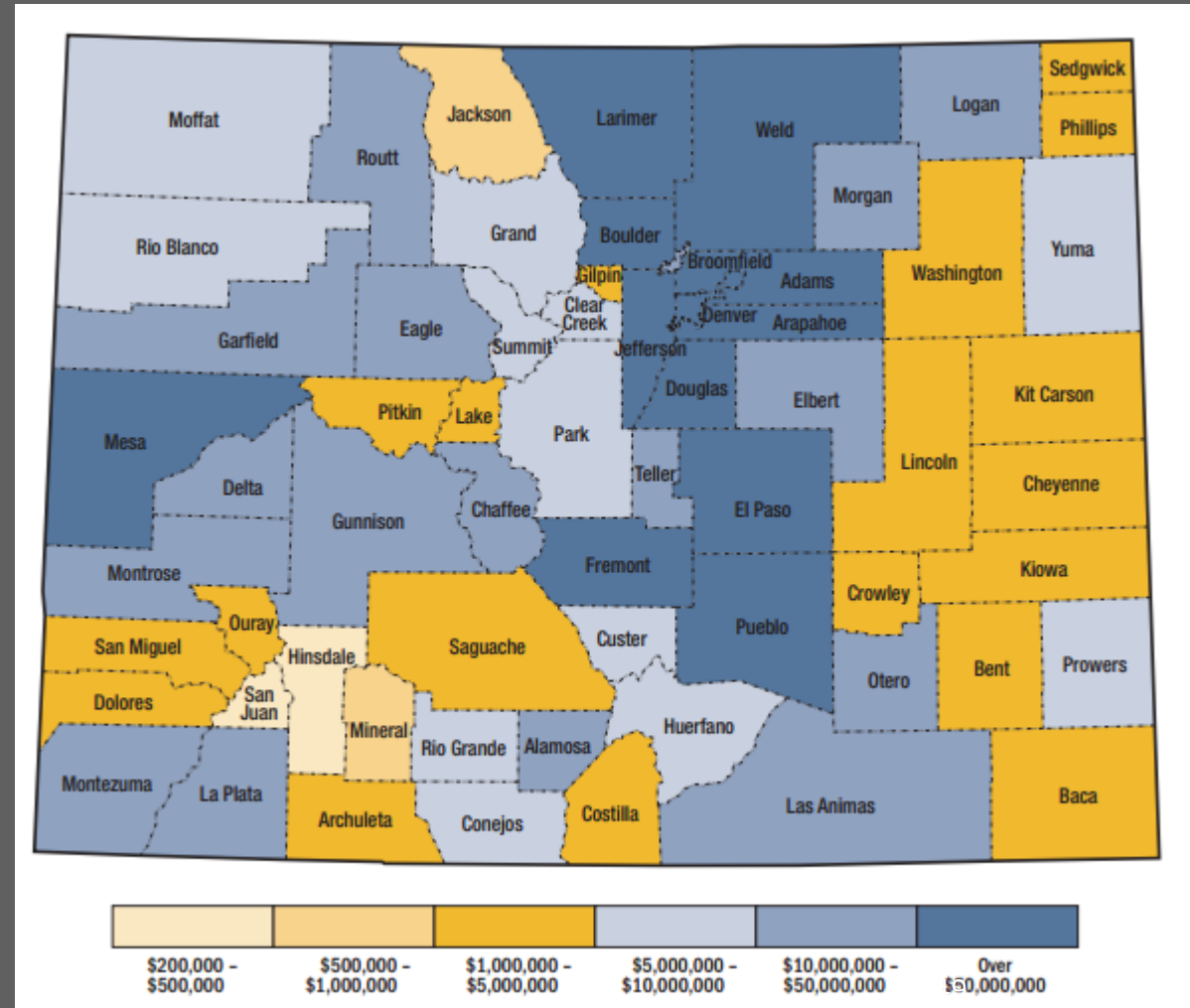
# CHANGES MADE IN 2010 BY SENATE BILL 1

- In 2010 PERA retirees, members, legislators and the PERA board all came together to find a way to make sure PERA would remain fiscally viable for future generations. Because of the stock market crash of 2008 PERA was facing a growing unfunded liability and would eventually run out of money if reform wasn't agreed to.
- As a result of decisive and comprehensive action in 2010, Colorado PERA's unfunded liabilities were reduced by over \$9 billion overnight and the costs of future pensions were substantially reduced making PERA fully funded within 30 years.
- These changes included contribution increases for both employers and employees that phase in over time, a decrease in the Cost of Living Adjustment (COLA) paid to all members including existing retirees, requirements that members work longer before reaching eligibility to retire with full benefits, and a reduction in the benefits for members who retire early in the future, among other cost-saving changes.
- Many pension plans across the country have chosen to reduce benefits or increase employee contributions. Very few plans have chosen to do both like Colorado did in 2010.

# WHERE DOES THE PERA MONEY GO?

# PERA & THE ECONOMY

- In 2012, PERA paid \$3.2 billion in pension benefits to 87,459 PERA retirees living in Colorado.
  - 3.7 times greater than the amount paid by employer contributions during the same year.
  - And nearly twice as much money as it takes in from employees and employers every year.
- PERA invests \$485 million in Colorado Headquartered Companies
- \$230 million in state and local tax revenue
- 24,334 jobs sustained in Colorado because of PERA retiree spending



SO WHY DO YOU NEED TO PAY  
ATTENTION?

# OUR CHALLENGERS

- Pew & Arnold Foundation funding a group of business leaders to look into converting PERA's pension plan to a Cash Balance Plan
- Ed Reformers
- Independence Institute

# THE BOTTOM LINE

# HOW TO TALK ABOUT PERA

- We need to let all of the changes we made in Senate Bill 1 work.
  - An employee hired today is receiving a pension worth 1/3 less than a worker who retired last year.
  - Retirees gave up their COLA for a year and accepted a reduced COLA
  - We required workers to give a higher contribution and to work longer
  - Employers are having to increase their contributions to make up for their reduced ARC payments
- 90% of the burden on the reforms was shouldered by employees and retirees, not taxpayers!
- These changes are working – we have reduced the unfunded liability by \$9 billion already and we are looking at being 100% funded within 34 years – we never see PERA run out of money, even if our expected rate of return drops to 6.5%
- Be very wary of one size fits all solutions, we did very specific modeling to ensure Senate Bill 1 would work
- Lastly, retirement security is very important for all Coloradans and without the PERA payments into many of our communities their local economies would suffer greatly

# WHAT WE KNOW CONVINCES THE PUBLIC

- Put a face on PERA
- PERA is a replacement for social security
- Don't break the promise that was made to public employees
- Talk about how PERA impacts Colorado's economy



# QUESTIONS

- Learn more at [SecurePERA.org](http://SecurePERA.org)
- Email questions to [SecurePERA@gmail.com](mailto:SecurePERA@gmail.com)
- You can view today's presentation at [www.SecurePERA.org/greeley](http://www.SecurePERA.org/greeley)

