

Deferred Compensation for K-12 and University Employees: Evidence from Colorado PERA and DPSRS

Michael V. Mannino

Joint Education Committee

Deferred Compensation Studies

- University of Colorado career employees
 - Published in the *Journal of Pension Economics and Finance*, January 2009
 - 278 retirees from 2000 to 2006
- DPSRS career employees
 - Support from the Donnell-Kay Foundation
 - Independence Institute Position Paper, 2008
 - Full study in progress
 - 846 retirees from 2001 to 2006
- Invited presentation in the Rutt Bridges Business Seminar Series (April 2009)

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Project Goal

DB Compensation

DB Compensation

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Measuring Retirement Compensation

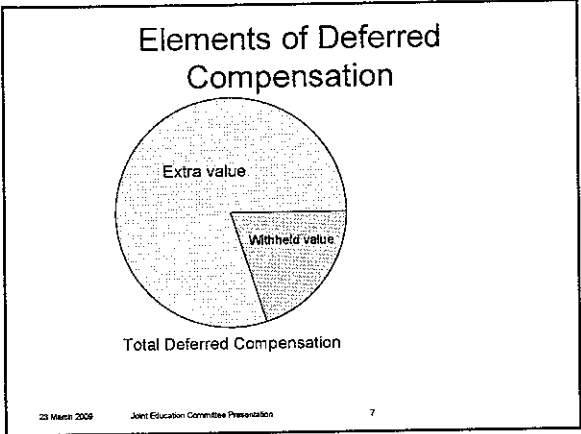
- Stable: not dependent on stock market changes
- Risk adjusted
- Private sector comparable
- Believable

Retirement Compensation Comparison

- Annual Compensation Survey by the Colorado Division of Human Resources
- PERA contribution: 11.35%
- Private sector: 11.85% (7.65% FICA, 4.2% retirement plan)
- Mismatch between retirement reality and survey

Deferred Retirement Compensation

- Present value of retirement benefits
 - Private sector interest rate
- Account balance:
 - Investment of employee/employer contributions
 - Interest rate consistent with risk level of retirement plan member
- Amount of retirement benefits in excess of account balance



- ### Measures of Deferred Compensation
- Lump sum deferred compensation:
 - Absolute measure
 - Pension value minus account balance
 - Deferred compensation ratio
 - Relative measure
 - Pension value / Account balance
 - Supplemental contribution ratio
 - Allocation of deferred compensation to working years
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- ### Data
- Samples of retiree characteristics and salary histories
 - University retiree data set: 278 retirees
 - DPSRS data set: 846 retirees
 - Samples of interest rates in the Single Premium Immediate Annuity market
 - Mortality tables from DPSRS and PERA
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