



COLORADO

Department of Personnel
& Administration

1525 Sherman St.
Denver, CO 80203

January 15, 2015

The Honorable John Hickenlooper
Governor, State of Colorado
200 E. Colfax Ave.
Denver, Colorado 80203

The Honorable Kent Lambert
Chair, Joint Budget Committee
Colorado General Assembly
200 E. Colfax Ave.
Denver, Colorado 80203

Dear Governor Hickenlooper and Senator Lambert:

In part, Senate Bill 14-214 requires the State Personnel Director to contract with a third-party compensation consulting firm to perform an extensive study and market comparison to determine the values of the retirement benefits provided by the Colorado Public Employees Retirement Association (PERA) to State employees. The Department of Personnel & Administration contracted with Milliman Inc. to conduct the study, and has attached the outcome.

This report examined the value of retirement benefits, which represent one component of the overall total compensation package offered by the State to its employees. The Department intends to incorporate the findings into its annual compensation report, released August 1 each year, along with employee pay, health, life, dental and other benefits, in order to provide a complete picture of the State's competitiveness as an employer.

The study found that, overall, the State's retirement benefit is valued slightly higher (1% more) than the median market practice. The executive summary, on page 2 of the report, contains the following findings:

- o "For the retirement benefits that Milliman Inc. explicitly valued, based on the methodology described in detail in the report (page 6), the State's total retirement compensation package is equivalent to 15.7% of pay (15.4% defined benefit and 0.3% retiree health), relative to the market median of 14.7% (combined sources: defined contribution, defined benefit, social security, and retiree health).
- o Regarding retiree benefits other than defined benefit and retiree health (and expected to have minimal value to employees), the State's offerings are generally consistent with market trends of survey participants."

In addition to this study, Senate Bill 14-214 also requires two separate studies by the Office of the State Auditor (OSA): one to contract with an actuarial firm to perform a comprehensive study of the current PERA plan design compared to other alternative retirement plans, and another to contract with an actuarial firm to perform a sensitivity analysis of actuarial assumptions. The OSA's reports are separately due to the General Assembly on July 15, 2015 and Dec. 1, 2015, respectively.

Please do not hesitate to contact me if I may be of further assistance.

Sincerely,

Kara Veitch, Interim Executive Director
Department of Personnel & Administration

Enclosures: Attachment A: State Of Colorado Retirement Benefits Study (Prepared by Milliman, Inc.)

Cc: Members of the Joint Budget Committee
John Ziegler, Staff Director, Joint Budget Committee
Alfredo Kemm, Budget Analyst, Joint Budget Committee
Henry Sobanet, Director, Governor's Office of State Planning & Budgeting
Kim Burgess, State Chief Human Resources Officer, Department of Personnel & Administration

