


11/16/2009



**Secure  
PERA**  
Colorado Coalition for Retirement Security

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## Colorado Coalition for Retirement Security

[WWW.SECUREPERA.ORG](http://WWW.SECUREPERA.ORG)

Joint Finance Committee      11/16/2009

## Coalition Members

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**Representing over 200,000 active and retired PERA members**



**AFSCME**



**AFT Colorado**  
Federation of Teachers, School,  
Health and Public Employees



**Friends of  
PERA**



**Colorado  
WINS**



**CASE**  
Colorado Association of School Executives



**CEA**  
COLORADO  
EDUCATION  
ASSOCIATION



**ACSPPE**  
Association of Colorado State Patrol Professionals



**CSPERA**

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## Agreed Upon Principals

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- Our number one goal is to protect the investment of all PERA members, thereby securing their retirement.
- We agree with PERA's stated framework of
  - Shared responsibility
  - Intergenerational equity
  - Sustainability
  - Preservation of a defined benefit plan
  - Maintain benefit structure across divisions
  - No impact on short term member behavior
- But, we differ on the goal. We are willing to re-invest in the fund and stabilize it's vitals, but not for significantly reduced retirement security.

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## How PERA Works

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$$\begin{array}{r}
 \text{Contributions from Employers (21.2\%)} \\
 \text{\& Employees (21.4\%)} \\
 + \\
 \text{Investment Income (57.4\%)} \\
 = \\
 \text{Benefits Paid Out (99.1\%)} \\
 + \\
 \text{PERA Expenses (.9\%)}
 \end{array}$$

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## Employers & Employees

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- Over the past 25 years, Employees (21.4%) have put more money into PERA than employers (21.2%)
- A large part of Colorado's current contribution rate (10.15%) is derived from what it owes PERA for past unmet obligations - during the past six years, employers have contributed \$2.4 billion less than their aggregate annual required contributions, *see pages 25-26, FY 2008 CAFR.*
- Employees contribute 8.05%

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## Social Security

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- PERA employees do not receive social security benefits – for the majority of members they rely solely on PERA when they retirement.
- This also means the State doesn't have to pay social security tax – 6.2%
- But, if Colorado were to abolish PERA, taxpayers would have to pay the entire unfunded liability, along with 6.2% social security.

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## PERA Contributions (School Division)

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Before the 2/2/2 Plus Changes

Year	Employer Contrib	AED	Total Employer Contrib	Employee Contrib	SAED	Total Employee Contrib	Total Contrib Rate
2009	10.15%	1.8%	11.95%	8.05%	1%	9.05%	21%
2010	10.15%	2.2%	12.35%	8.05%	1.5%	9.55%	21.9%
2011	10.15%	2.6%	12.75%	8.05%	2%	10.05%	22.8%
2012	10.15%	3%	13.15%	8.05%	2.5%	10.55%	23.7%
2013	10.55%	3%	13.55%	8.05%	3%	11.05%	24.6%

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2009	10.15%	1.8%	11.95%	8.05%	1%	9.05%	21%
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2011	10.15%	2.6%	12.75%	8.05%	2%	10.05%	22.8%
2012	10.15%	3%	13.15%	8.05%	2.5%	10.55%	23.7%
2013	10.55%	3.4%	13.95%	8.05%	3%	11.05%	25.00%
2014	10.55%	3.8%	14.35%	8.05%	3.5%	11.55%	25.90%
2015	10.55%	4.2%	14.75%	8.05%	4%	12.05%	26.80%
2016	10.55%	4.6%	15.15%	8.05%	4.5%	12.55%	27.70%
2017	10.55%	5%	15.55%	8.05%	5%	13.05%	28.60%

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## What We Know

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- While there are adjustments we can make, we must acknowledge that this is a result of the 2008 market crash and not a failure in the design of PERA.
- We must look at economic realities –
  - To help deal with the state's budget crisis, Colorado public employees have accepted layoffs, pay cuts, and furloughs. State employees are facing a 2.5% percent reduction of their take home pay. Just three years ago, employees agreed to a three percent increase in pension contributions and the 2/2/2 plan would add another 2% through 2017.
- Public employees are doing their fair share to stabilize the pension system, and to reduce benefits even further compounds the pain that public employees and retirees are already suffering in this economy.
- Increased contributions from employees and employers are possible, as is some change in the COLA for retirees BUT changes beyond that which just reduce benefits and don't make a substantial change to the funding level aren't necessary.

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## Formula Concerns

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- PERA formulated this plan based on 2008 year end numbers. The fund has been getting great returns over 2009 that are not being accounted for.
- 8% rate of return – PERA voted to reduce their rate of return to 8% in October. Even with down markets in 2001, 2002, and 2008 PERA has averaged a 9% rate of return over the last 25 years. With 57% of PERA's money coming from investments this is significant.
- The decision to switch from a 30 year plus 30 year (or 60 year ) time table to a 30 year amortization is a significant decision that effectively changes the goal line.

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## 2/2/2 PLUS Concerns

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- 2% Cap on COLA
  - Average PERA retiree
    - 58 years old
    - 23.2 years of service
    - \$2,772/ month average benefit
    - Colorado life expectancy is 85
  - The average PERA employee who retired this year and lives until 85 would lose around \$400,000 during their retirement under these changes.
- Guardrail Limits 90% & 110%
  - The limits are too high – the plan doesn't need to reach 100% funding
- The PLUS part of the solution
  - Additional benefit cuts that are not necessary
  - The cuts do not substantially move the fund closer to 100% funding

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## What We Don't Know

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- CCRS has not formed a final position yet. We are waiting to do some additional work with PERA on their modeling software and continuing to talk to our members to gather their feedback.
- Today, we wanted to bring to you the concerns we currently have. We are committed to working with PERA to come up with a solution but we must also represent our members and make sure they are not being asked to give up too much if it is not absolutely necessary.

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