ADAMS COUNTY
COLORADO

Adams County Retirement Plan
LEGISLATIVE ISSUES FACT SHEET

- Creating separate tiers with lower benefit multipliers for new hires. The tiers and benefits are as follows:

	Hired	Benefit Multiplier	Final Average Salary Calculation	Vesting	Unreduced Special Early Retirement ("Rule of" is the sum of age plus service
Tier 1	before 1/1/2005	2.5%	Highest 36 out of final 120 months	5-year cliff (0% prior to 5 yrs., 100% at 5 yrs)	Rule of 70 no min. age
Tier 2	on or after 1/1/2005 and before 1/1/2010	2.5%	Highest 60 out of final 120 months	5-year cliff	Rule of 70 min. age of 50
Tier 3	on or after 1/1/2010	1.75%	Career average	10-year cliff	Rule of 80 min. age of 55

LEGAL ISSUES REQUIRING THE LEGISLATION

The Board has determined that it needs additional tools including the ability to modify benefits of existing employees rather than just new hires to improve the sustainability of the Plan and its funded status. This legislation will provide additional language clarification and enhanced legal authority that is not clearly defined in current statutes or case law.

OVERVIEW OF THE PROPOSED LEGISLATION

- Allows the boards of defined benefit plans to modify benefits when the board determines that action is required to ensure the sustainability of the plan.
- The legislation also permits a board to give written notice to members that a reduction benefits may be needed to ensure the sustainability of the plan.
- To limit the impact of the legislation, SB 12-149 contains a five-year sunset provision, meaning that the legislation will expire within five years and changes to the Plan must be made within that time period.

WHICH DEFINED BENEFIT PLANS ARE GOVERNED BY THE STATUTORY SCHEME?

Primarily county retirement plans of Adams, Arapahoe, El Paso, Weld, and Pueblo.

WHO IS NOT IMPACTED BY THE PROPOSED LEGISLATION?

- PERA and members of PERA. A different statute governs PERA, C.R.S. § 24-51-101 et al.
- Home Rule cities – most cities are home rule
- Defined Contribution (DC) plans – Douglas County, Mesa County, Larimer County, etc.

ADAMS COUNTY
COLORADO

Adams County Retirement Plan
LEGISLATIVE ISSUES FACT SHEET

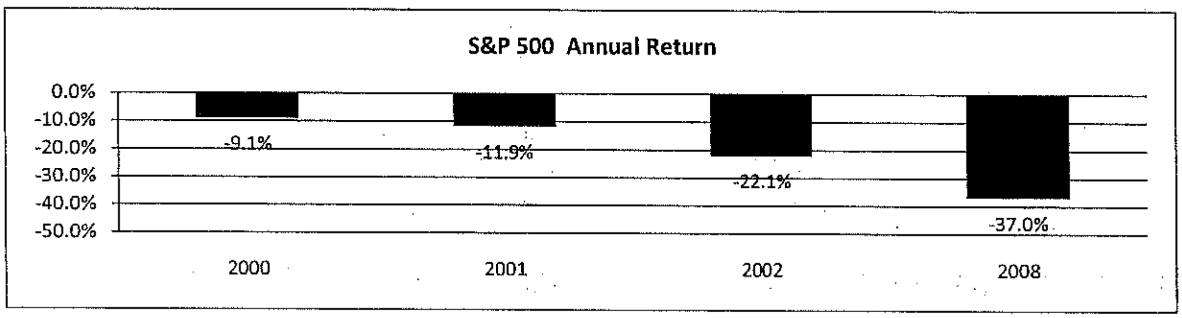
Funding Issues Requiring a Change in Benefits

As of January 1, 2011, the defined benefit retirement plan for Adams County employees (the "Plan") was only 52% funded based on the market value of its assets and the sustainability of the Plan may be jeopardized.

- The Plan's unfunded liability as of January 1, 2011 on a market basis was approximately $171 million.
- The contribution short fall is approximately $10 million annually.
- The annual required contribution before reflection of member contributions is $25 million.
- The amount of employer and employee contributions annually is approximately $15 million.
- Some insurance companies have declined to insure the Board members of the Plan because of the low funded ratio.
- Other defined benefit plans in Colorado are significantly underfunded.

Changes in the Market

Investments have suffered significant and unforeseen losses due to the difficult economic times. Since 2000, there have been at least four significant declines in the S&P 500 leading to an un-annualized decade return of -9.1%, worse than the -0.5% return in the 1930's.



Source: Ibbotson Associates

Prior Benefit Changes

In the past few years, the Board of the Plan has made significant changes to new hire benefits to improve the funded status and sustainability of the Plan. The changes include, but are not limited to:

- Increased employer and employee contributions. Presently they are at 8.25% for each (total 16.50%), increasing by 0.25% per year until they reach 9% (total 18%) in 2015.