

**First Regular Session
Sixty-eighth General Assembly
STATE OF COLORADO**

PREAMENDED

*This Unofficial Version Includes Committee
Amendments Not Yet Adopted on Second Reading*

LLS NO. 11-0795.01 Nicole Myers

HOUSE BILL 11-1248

HOUSE SPONSORSHIP

Kerr J.,

SENATE SPONSORSHIP

Roberts,

House Committees
Finance

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING MODIFICATIONS TO THE COMPOSITION OF THE BOARD OF**
102 **TRUSTEES OF THE PUBLIC EMPLOYEES' RETIREMENT**
103 **ASSOCIATION TO ENSURE THAT THE BOARD HAS MORE DIVERSE**
104 **REPRESENTATION, AND REQUIRING A POST-ENACTMENT REVIEW**
105 **OF THE IMPLEMENTATION OF THIS ACT.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)

The bill modifies the composition of the board of trustees (board)

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

of the public employees' retirement association (PERA). Currently, the board is comprised of the following 15 trustees:

- ! The state treasurer;
- ! 3 elected members of the state division;
- ! 4 elected members of the school division;
- ! One elected member of the local government division;
- ! One elected member of the judicial division;
- ! 2 elected retirees; and
- ! 3 trustees appointed by the governor and confirmed by the senate who are not PERA members or retirees and who are experts in certain fields.

In addition, there is one ex officio trustee from the Denver public schools division.

The bill changes the composition of the board so that it is comprised of the following 15 trustees:

- ! 6 trustees appointed by the governor and confirmed by the senate who are not PERA members or retirees and who are experts in certain fields, 3 of whom are appointed after January 1, 2012;
- ! The state treasurer;
- ! 2 elected members from the state division;
- ! 3 elected members from the school division;
- ! One elected member from each of the local government and judicial divisions; and
- ! One elected retiree.

The bill requires that one elected member from each of the state and school divisions be at least 15 years from retirement eligibility when the member begins serving his or her first term on the board. The bill allows current trustees to finish serving their terms and eliminates trustees who represent each of the divisions and retirees as their terms expire. The bill does not eliminate the ex officio trustee from the Denver public schools division.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1. Legislative declaration.** (1) The general assembly
3 hereby finds and declares that:

4 (a) The majority of the board of trustees of the public employees'
5 retirement association is comprised of people who are retirees or current
6 members of the association and who receive or will receive retirement
7 benefits through the association;

1 (b) The current structure of the board of trustees of the public
2 employees' retirement association does not offer any assurance that the
3 board will include representation of members who are relatively distant
4 from retirement eligibility;

5 (c) This creates a conflict of interest because the members of the
6 board of trustees are required to make decisions that affect their own
7 retirement benefits and therefore may not make decisions that negatively
8 impact their benefits; and

9 (d) The board of trustees of the public employees' retirement
10 association would be in a better position to protect the investment that the
11 taxpayers of the state make into the association if a larger proportion of
12 the board were not association members or retirees.

13 (2) The general assembly further finds and declares that the intent
14 of House Bill 11-1248, enacted in 2011, is to shift the composition of the
15 board of trustees of the public employees' retirement association to a
16 larger representation of people who are not members or retirees of the
17 association and to guarantee that a segment of the board represents
18 association members who are relatively distant from retirement eligibility.
19 This will ensure that the board has a greater range of experience in
20 investment management, finance, banking, economics, accounting,
21 pension administration, or actuarial analysis, while retaining participation
22 from members and retirees of the association on the board.

23 **SECTION 2.** 24-51-203 (1), (3), and (5), Colorado Revised
24 Statutes, are amended to read:

25 **24-51-203. Board - composition and election.** (1) The board
26 shall consist of the following fifteen trustees:

27 (a) The state treasurer;

1 (b) ~~Four~~ THREE members of the state division elected by the
2 members of that division, at least one of whom shall be an employee of
3 a state institution of higher education and at least one of whom shall not
4 be an employee of a state institution of higher education until, on or after
5 ~~January 1, 2007, one~~ JANUARY 1, 2012, ONE of those trustee positions
6 ~~unless it is the sole position held by an employee of a state institution of~~
7 ~~higher education;~~ is vacated, and thereafter there shall be ~~three~~ TWO
8 members of the state division elected by the members of that division, at
9 ~~least one of whom shall be an employee of a state institution of higher~~
10 ~~education and at least one of whom shall not be an employee of a state~~
11 ~~institution of higher education;~~ ONE OF WHOM SHALL BE AT LEAST FIFTEEN
12 YEARS FROM RETIREMENT ELIGIBILITY ON THE DATE THAT THE TRUSTEE
13 BEGINS SERVING HIS OR HER FIRST TERM ON THE BOARD.

14 (c) ~~Five~~ FOUR members of the school division elected by the
15 members of that division until, on or after ~~January 1, 2007, one~~ JANUARY
16 1, 2012, ONE of those trustee positions is vacated, and thereafter there
17 shall be ~~four~~ THREE members of the school division elected by the
18 members of that division, ONE OF WHOM SHALL BE AT LEAST FIFTEEN
19 YEARS FROM RETIREMENT ELIGIBILITY ON THE DATE THAT THE TRUSTEE
20 BEGINS SERVING HIS OR HER FIRST TERM ON THE BOARD.

21 (d) ~~Two members of the local government division elected by the~~
22 ~~members of that division until, on or after January 1, 2007, one of those~~
23 ~~trustee positions is vacated and thereafter there shall be~~ One member of
24 the local government division elected by the members of that division;

25 (e) One member of the judicial division elected by the members
26 of that division;

27 (f) ~~Two retirees, one of whom shall be~~ ONE RETIREE elected by

1 ~~those~~ members who have retired from the local government division, the
2 judicial division, ~~or from the state division, and one of whom shall be~~
3 ~~elected by those members who have retired from the local government~~
4 ~~division, the judicial division, or the school division; except that both~~
5 ~~retiree trustees cannot have retired from the same division; and~~

6 (g) Three trustees appointed by the governor and confirmed by the
7 senate ON OR AFTER JANUARY 1, 2007, AND THREE ADDITIONAL TRUSTEES
8 APPOINTED BY THE GOVERNOR AND CONFIRMED BY THE SENATE ON OR
9 AFTER JANUARY 1, 2012, who shall not be members, inactive members,
10 or retirees of the association. ~~and who~~ THE TRUSTEES APPOINTED BY THE
11 GOVERNOR shall have significant experience and competence in
12 investment management, finance, banking, economics, accounting,
13 pension administration, or actuarial analysis. Of the ~~three~~ SIX trustees
14 appointed by the governor, no more than ~~two~~ THREE shall be from the
15 same political party.

16 (3) The term for each of the initial three appointed trustees
17 APPOINTED BEFORE JANUARY 1, 2012, shall be determined by the governor
18 and shall be staggered with a one-year term, a two-year term, and a
19 three-year term with no trustee assigned the same term length. THE TERM
20 FOR EACH OF THE INITIAL THREE APPOINTED TRUSTEES APPOINTED ON OR
21 AFTER JANUARY 1, 2012, SHALL BE DETERMINED BY THE GOVERNOR AND
22 SHALL BE STAGGERED WITH A ONE-YEAR TERM, A TWO-YEAR TERM, AND
23 A THREE-YEAR TERM. After each of the initial terms conclude, the term
24 for appointed trustees shall be four years. Appointed trustees may be
25 reappointed to the board for an unlimited number of terms.

26 (5) When a vacancy occurs among the ~~three~~ SIX appointed
27 trustees, the governor shall appoint, with consent of the senate, a new

1 trustee with the experience and competence specified in paragraph (g) of
2 subsection (1) of this section to serve the remainder of any unexpired
3 term. Such appointee may serve on a temporary basis if the general
4 assembly is not in session when he or she is appointed until the general
5 assembly is in session and the senate is able to consent to such
6 appointment.

7 **SECTION 3. Accountability.** Five years after this act becomes
8 law and in accordance with section 2-2-1201, Colorado Revised Statutes,
9 the legislative service agencies of the Colorado General Assembly shall
10 conduct a post-enactment review of the implementation of this act
11 utilizing the information contained in the legislative declaration set forth
12 in section 1 of this act.

13 **SECTION 4. Act subject to petition - effective date.** This act
14 shall take effect at 12:01 a.m. on the day following the expiration of the
15 ninety-day period after final adjournment of the general assembly (August
16 10, 2011, if adjournment sine die is on May 11, 2011); except that, if a
17 referendum petition is filed pursuant to section 1 (3) of article V of the
18 state constitution against this act or an item, section, or part of this act
19 within such period, then the act, item, section, or part shall not take effect
20 unless approved by the people at the general election to be held in
21 November 2012 and shall take effect on the date of the official
22 declaration of the vote thereon by the governor.