

PERA Reform in Colorado 2010-present

I. Introduction:

A. In 2010 I carried legislation to revise Colorado's state employee retirement system. Colorado was dealing with the same issues most other states are confronted with today. This presentation is a discussion of the reforms we made and how we passed the legislation.

B. I have two goals here today:

1. Describe 2010 legislation
2. Identify lessons-learned about how we passed it

II. What is PERA?

- A. Public Employee Retirement Association
- B. Established in 1931
- C. Approximately 475,000 members (9% of all Coloradans)
- D. Over \$37 Billion in assets
- E. Pays out approximately \$3 Billion in benefits/year
- F. PERA benefits spent in the community produce 20,635 jobs/year
- G. PERA benefits result in \$185.5 million in tax revenue/year
- H. Who are they?
 1. Public Schools
 2. State employees
 3. Judiciary
 4. Municipal

III. Why did PERA need reform?

A. 2008

1. In 2008, almost 60% of PERA's assets were invested in global stocks
2. The value of PERA dropped by approximately \$11 Billion
3. The asset-to-liability ratio went from 80% to 50%
4. Insolvent in approximately 29 years

B. Dynamic modeling

IV. What did we do?

A. Goal: 100% funded within 30 years

B. 2, 2, 2 plus

1. Employee contribution increase by 2%
2. Employer contribution increase by 2%
3. COLA capped at 2% (down from a fixed 3.5%)
4. Age of retirement increased from 55 to 60

V. Is it working?

A. *Pueblo Chieftain*, July 12, 2011:

"The audit of PERA showed that the changes so far are on track to accomplish their goal of fully funding the pension within 30 years. Before SB1 was passed, PERA was on a course to be unable to pay the promised benefits beginning in 2029.

Republicans and Democrats alike held their noses and swallowed hard to pass SB1. In Republicans' eyes it didn't go far enough to ensure PERA's solvency, and to Democrats it took away too much from public employees, who shouldered 90 percent of the burden that came along with SB1."

VI. How did we do it?

- A. Letter from Minority Leader dated July 21, 2009
- B. Sound architecture for the policy
- C. Actuarial necessity
- D. Coalition building

VII. Lessons learned

- A. Ground work - statewide listening tour
- B. Well conceived plan as the basis of negotiation
- C. Dynamic modeling
- D. Everyone gets something (win/win)
- E. Coalition representatives
- F. Not about ideology (defined benefit / defined contribution)
- G. Personalities are important
- E. Be strong ("This will happen with you or to you ... Your choice.")