

Colorado School Finance Project

December 7, 2012

Gregory W. Smith, Executive Director

Colorado PERA's Mission Statement

To promote long-term financial security for our membership while maintaining the stability of the fund

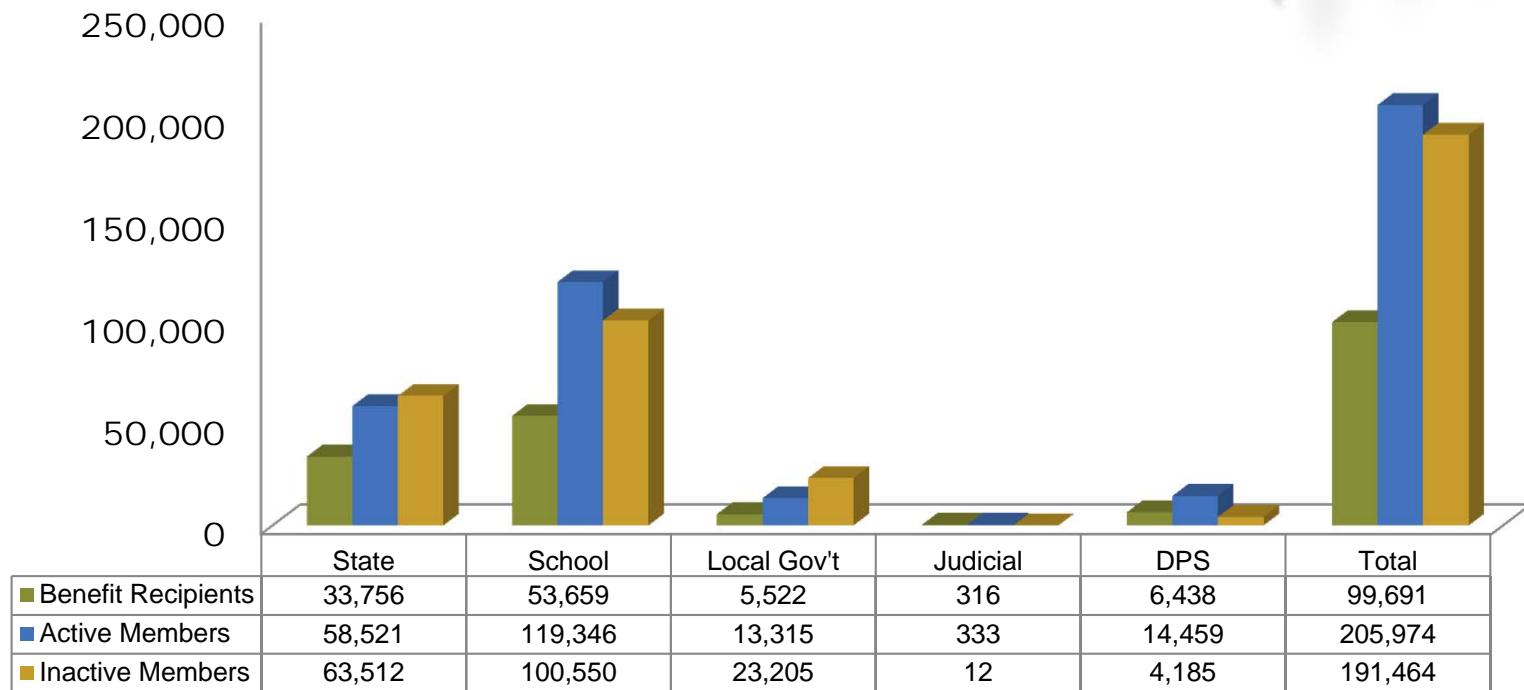


PERA Membership

September 30, 2012



Total: 497,129



PERA Financial Recap



(in thousands of dollars; does not include defined contribution plans)

\$37,532,591 net assets as of December 31, 2011

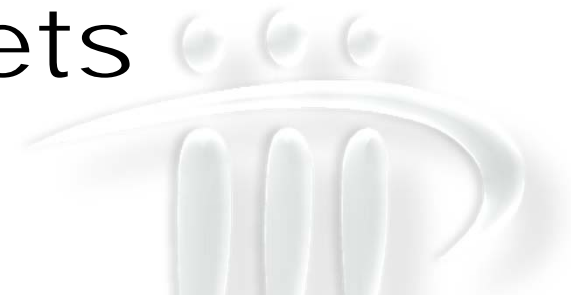
September 2012	Contributions \$1,442,365		Investments \$3,755,319		Benefits Paid (\$2,943,404)	
	Employer - Pension - Regular	\$465,970	Net Change in Fair Value	\$3,103,629	Pension Benefits	(\$2,608,629)
	Employer - Pension - AED	\$158,233	Interest	\$241,019	Health Care Benefits	(\$168,986)
	Employer - Pension - SAED	\$129,894	Dividends	\$370,124	Disability/Life Insurance	(\$3,565)
	Employer - Health Care	\$58,357	Real Estate/Opportunities/ Alternative Investments	\$111,450	Refunds	(\$121,978)
	Member	\$488,167	Securities Lending	\$10,308	Other	(\$7,004)
	Purchased Service	\$39,255	Investment Expense	(\$81,211)	Admin Exp	(\$33,242)
	Retiree Health Care Premiums	\$83,279				
	Federal Health Care Subsidies	\$10,321				
	Other Additions	\$8,889				

\$39,786,871 net assets as of September 30, 2012

(unaudited, for internal use only)

25-Year History of Assets and Distributions

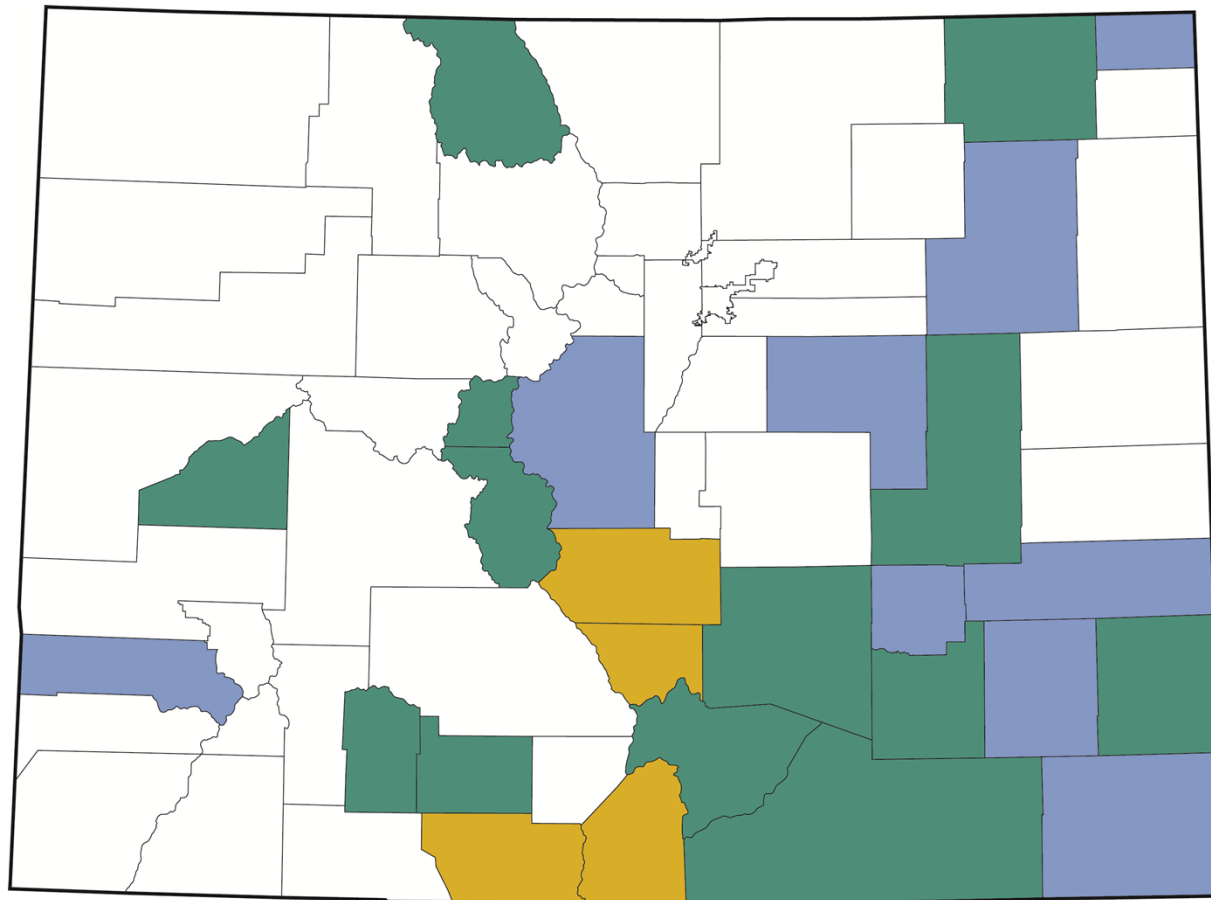
In billions



Beginning Balance January 1, 1986	\$5.6
Employer Contributions	13.5
Member and Other Contributions	13.4
Investment Income	40.3
Denver Public Schools' Plan Transfer	2.8
Benefit and Refund Payments	(37.8)
Administrative Expenses	(0.6)
Ending Balance December 31, 2011	\$37.2

PERA Benefit Payments Relative to Payroll by County

July 2011



Over 25 percent of Payroll

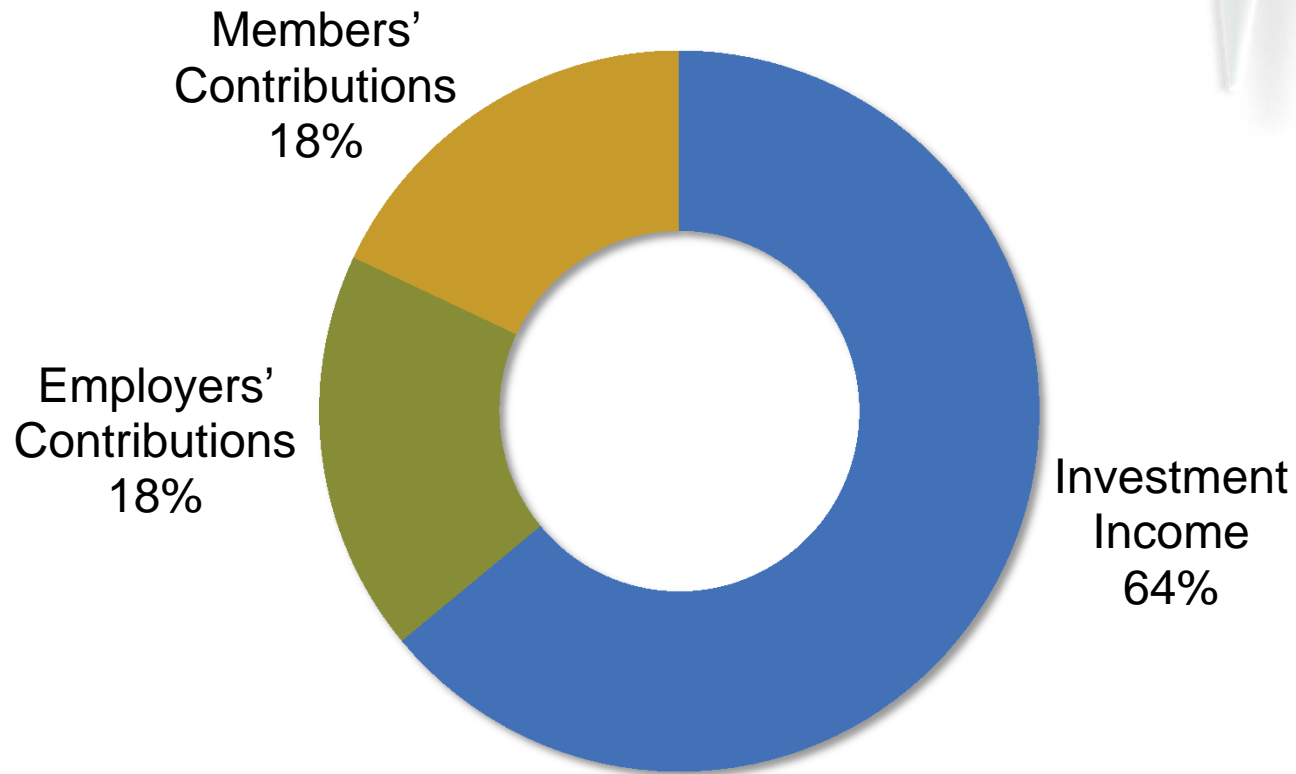
15-25 percent of Payroll

10-15 percent of Payroll

Less than 10 percent of Payroll

Data from Pacey & McNulty

Source of Money in PERA Trust Funds



School Employer Contribution Rates

As a percentage of salary for the School Division



Start Date	Employer Contribution	AED	Total Contribution
January 2010	10.15%	2.20%	12.35%
January 2011	10.15%	2.60%	12.75%
January 2012	10.15%	3.00%	13.15%
January 2013	10.15%	3.40%	13.55%
January 2016	10.15%	4.50%	14.65%

School Member Contribution Rates

As a percentage of salary for the School Division



Start Date	Member Contribution	SAED*	Total Contribution
January 2010	8.00%	1.50%	9.50%
January 2011	8.00%	2.00%	10.00%
January 2012	8.00%	2.50%	10.50%
January 2013	8.00%	3.00%	11.00%
January 2018	8.00%	5.50%	13.50%

* SAED is not credited to a member's account

SAED



- Supplemental Amortization Equalization Disbursement
 - An amount contributed by employers and is, to the extent permitted by law, to be funded by monies otherwise available for employee wage increases

PERA is Transparent



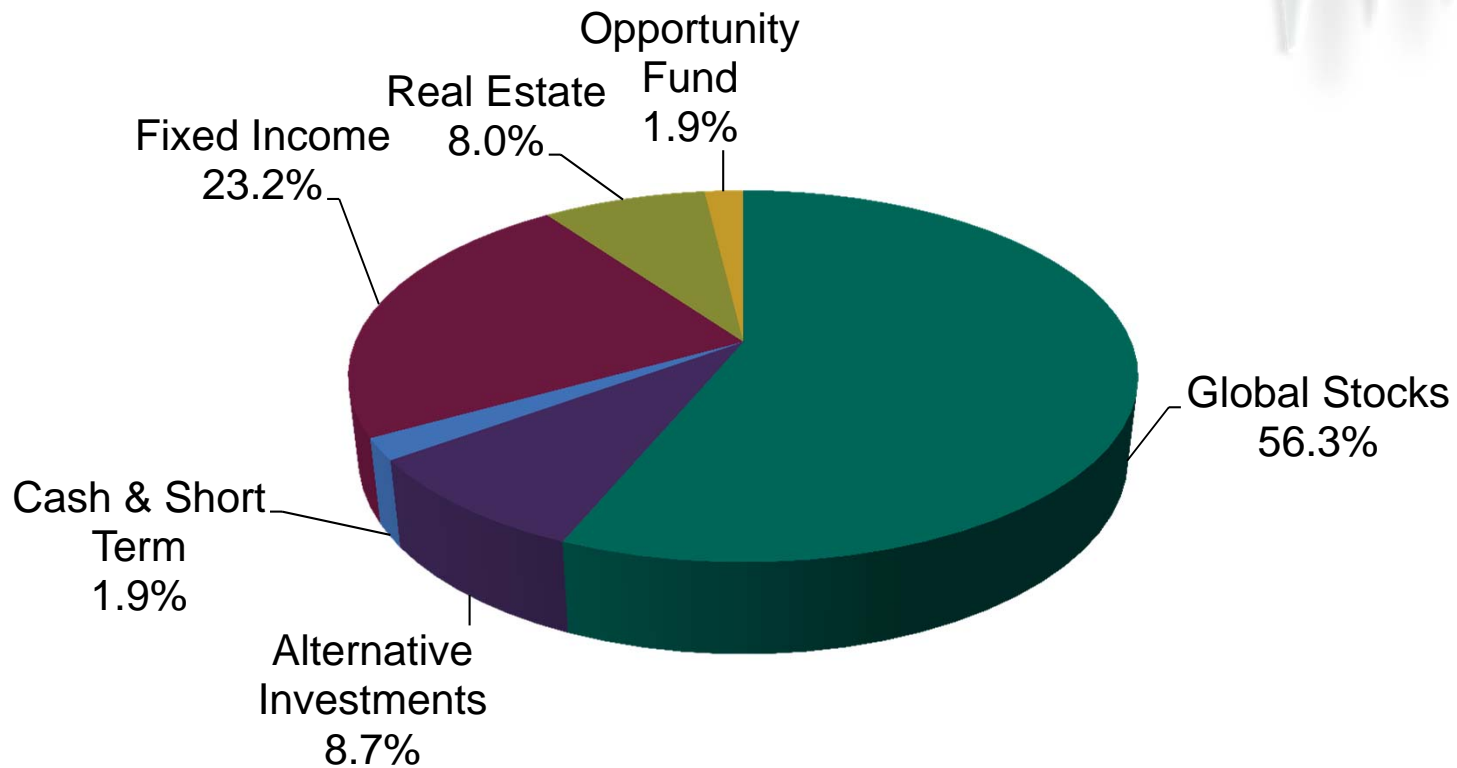
- All Board meetings are public meetings and each agenda has time set aside for public comment
- PERA reports annually to the Joint Finance Committee, Joint Budget Committee, and Legislative Audit Committee of the Colorado General Assembly
- PERA is audited annually by a firm selected by the State Auditor whose findings are reported to the Legislative Audit Committee
- PERA's *Comprehensive Annual Financial Report (CAFR)* is used as a model for other public pension plans, winning the GFOA financial reporting excellence award for the last 26 consecutive years
- 2011 annual financial audit found no material weaknesses in PERA's internal controls, accounting policies, and practices
- PERA Web site excellent resource for plan and financial information

Investment Asset Allocation

September 30, 2012

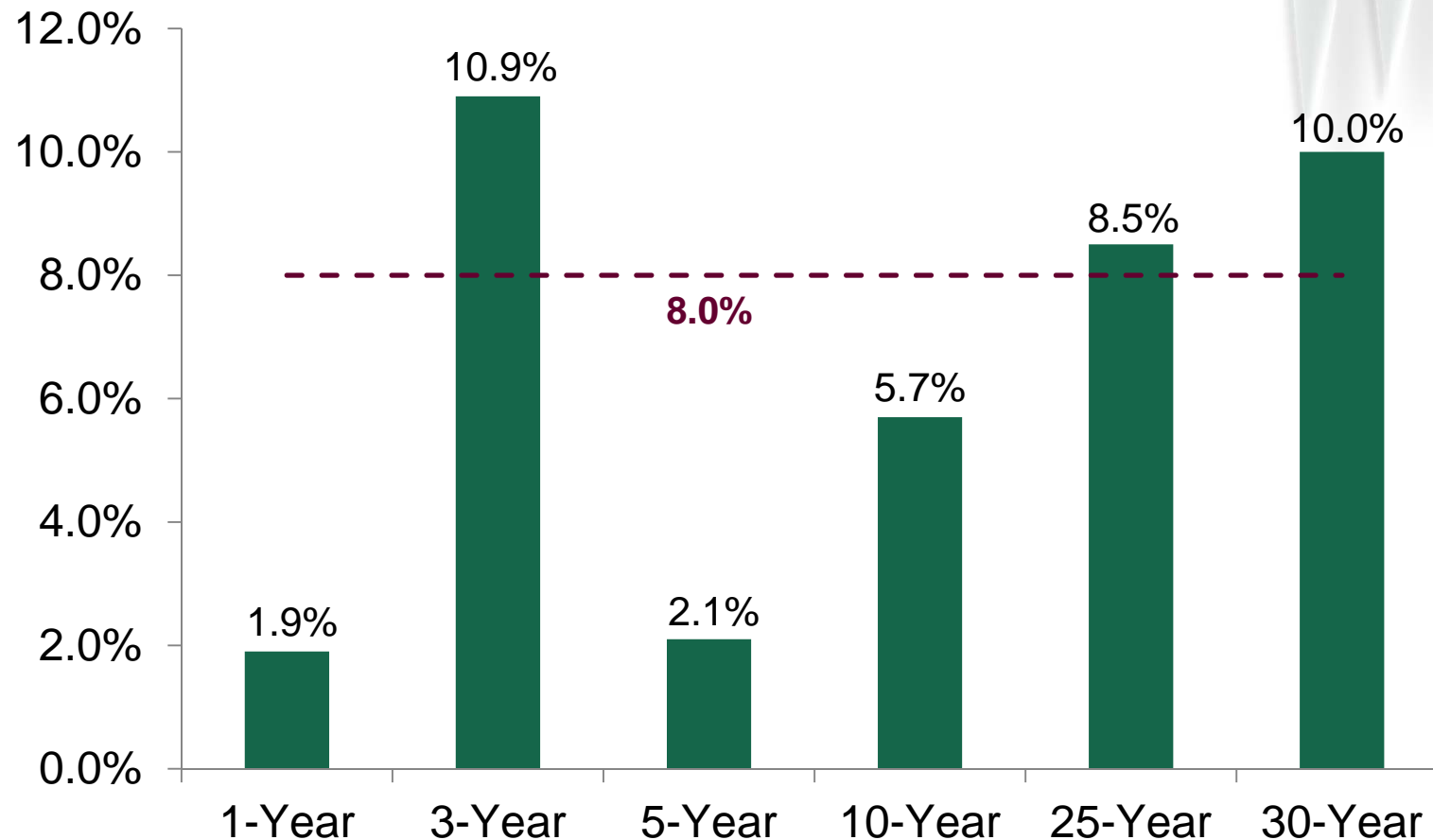


\$39.7 Billion Market Value



Investing for Long Term

Annualized investment returns for periods ending December 31, 2011



Market Commentary



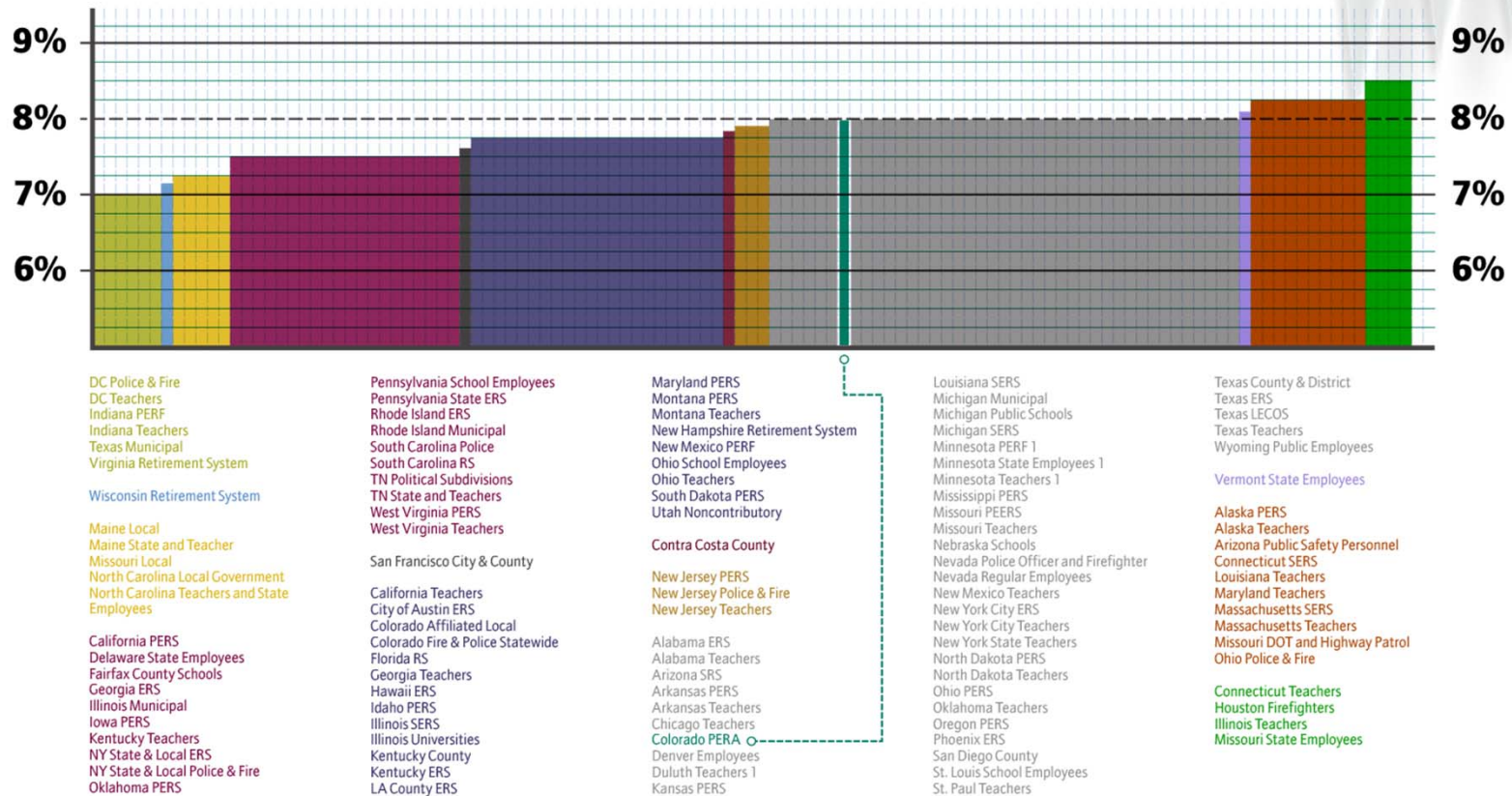
- Global growth
- Political environment
- Business fundamentals
- Current valuations

PERA's 8.0 Percent Investment Return Assumption

- Used for estimating investment return over a long time horizon and for calculating PERA's funded status
- PERA Board reviewed information and recommendations from many sources in 2012, and voted in November to maintain the current assumption
- As a long-term institutional investor, PERA will usually earn higher returns than individuals
- PERA's *Comprehensive Annual Financial Report* shows impact on funding of a decrease or increase in return
- PERA is projected to be fully funded in 35 years if the rate of return and other assumptions are met

PERA's "Rate of Return is Within a Reasonable Range"

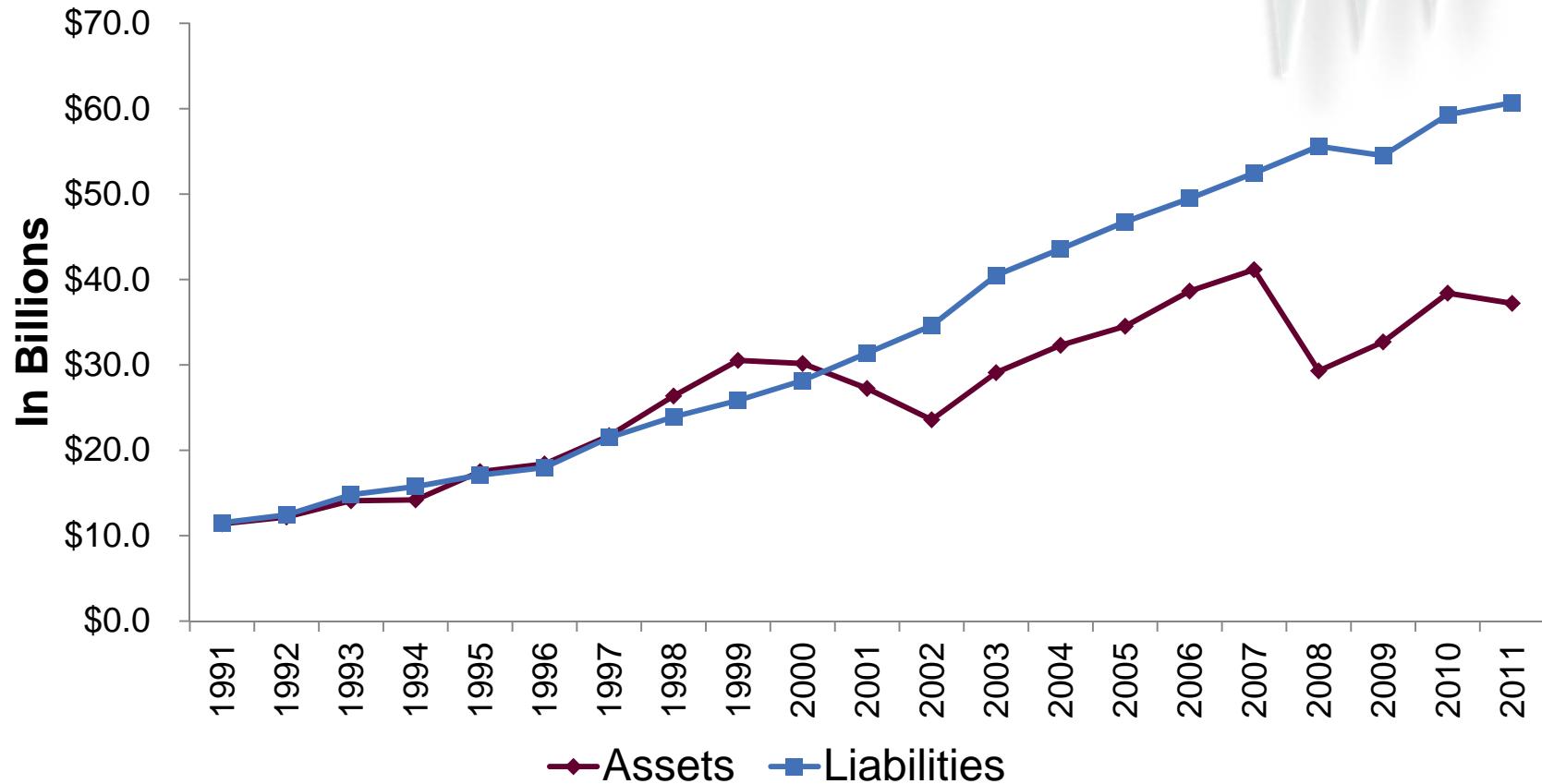
- KPMG, Independent Auditor



Source: NASRA Issue Brief: Public Pension Plan Investment Return Assumption, August 2012.

PERA Defined Benefit Assets vs. Liabilities

Market Value as of December 31 for each year
2011 Funded Ratio at Market Value = 59.9 Percent



Amortization Periods Based on Different Assumed Rates of Return*

In Years to Full Funding

Division	9.50%	8.00%	6.50%
State	24	38	51
School	22	36	54
Local Government	15	24	49
Denver Public Schools	16	27	41
Judicial	35	53	Infinite

* Synthetic actuarial projection of the 2042 valuation based upon the 2011 valuation

Senate Bill 10-001 Puts PERA Back on Track



- SB 10-001 contained shared sacrifice
- Most Divisions are expected to be fully funded in 35 years
 - Pre-SB 10-001, most Divisions projected to be out of money as early as 2029
- Ninety percent of changes come from current and future members and retirees
- PERA Board opposes legislation that would make full funding harder to achieve
- Litigation status

America's Retirement Crisis



- Americans are not prepared for retirement
- Median value of 401(k) plans for workers aged 55-64 is \$56,212
- Twenty-seven percent say they have less than \$1,000 in savings
- More than half report the total value of household savings and investments is less than \$25,000 (excluding their home)

Source: Employee Benefits Research Institute

Supplemental Savings Opportunities with PERAPlus

- Allows participants opportunity to seek investment advice at no additional cost
- Received GFOA's Award for Excellence in Government Finance
- Promotes the crucial concept of asset allocation in retirement investing
- Makes allocation decisions easier for participants
- Provides participants access to custom, easy-to-understand, and diversified PERAdvantage investment options



PERA Advantage Investments

- Target Retirement Date (TRD)
 - Lowest cost
 - Passive/indexed
 - Self-rebalancing/glidepath
 - Managed by third party (BlackRock)



PERAAdvantage Investments

(continued)

- Asset class investment funds
 - Capital Preservation, Fixed Income, Real Return, U.S. Large Cap Stock, International Stock, U.S. Small and Mid Cap Stock
 - Reduced cost by 40 percent
 - Active and passive
 - Diversification of managers in-house and third party
 - Corresponds with free advice tool



PERAAdvantage Investments

(continued)

- Brokerage window access
 - TD Ameritrade
 - 1,000+ mutual funds available
 - Individual stocks and bonds
- Individual specific asset allocation advice for free
- Professional asset management available at a fee



Coming Attractions



- Blog: The Dime (launched November 26)
- Facebook
- Video library
- Paperless opportunities
- Federal Health Care Reform (Affordable Care Act)

the **Dime**



Sign Up for **Electronic Delivery**



- Web address
 - www.copera.org
 - Legislative Information Center
- Office locations
 - 1301 Pennsylvania Street, Denver
 - 1120 West 122nd Avenue, Westminster
- Phone numbers
 - 303-832-9550
 - 1-800-759-PERA (7372)