



PERA

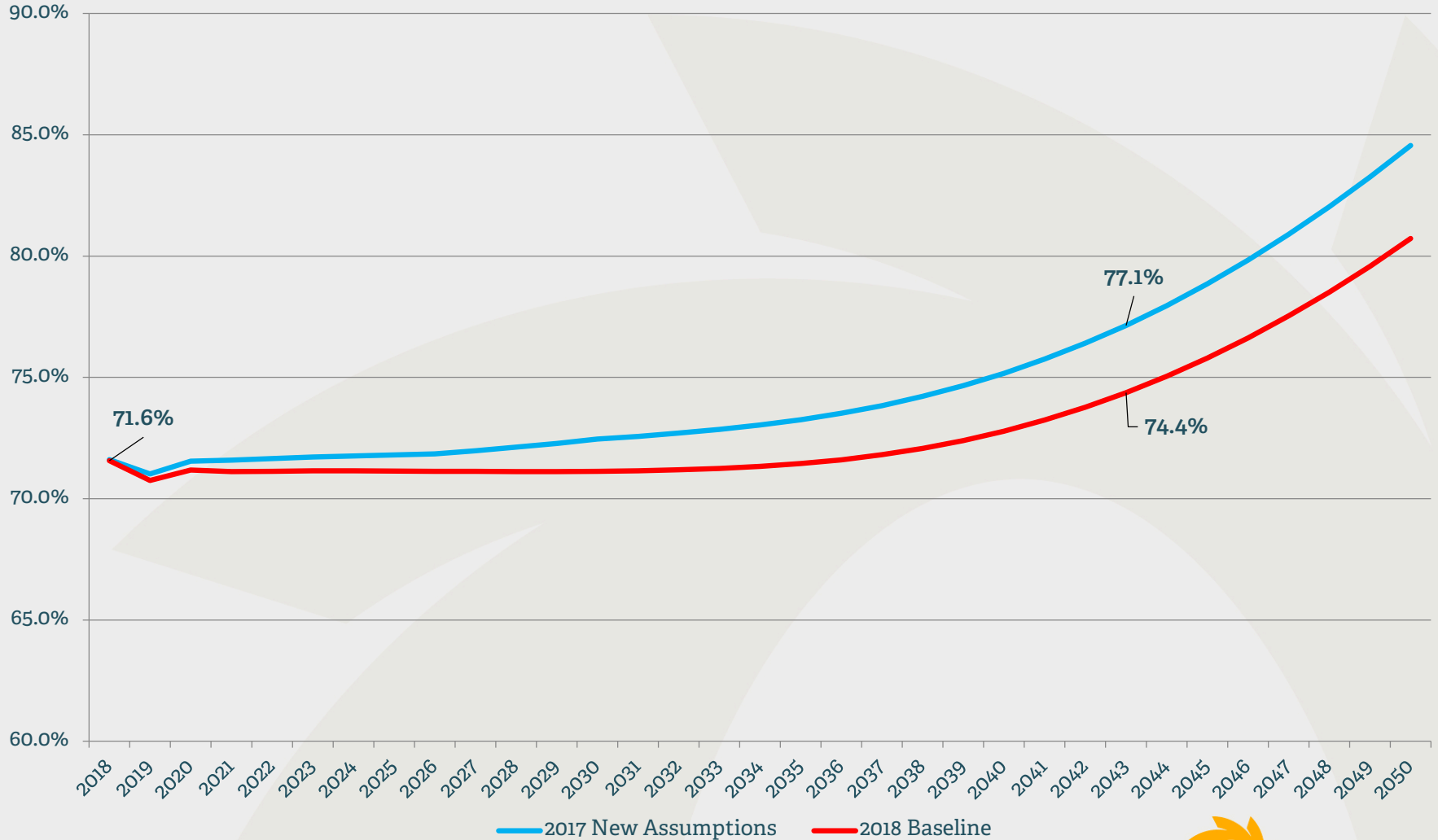
Revenue Stabilization and Tax Policy Committee

*Representative Jim R. Trujillo, Chair
Senator Carolos R. Cisneros, Vice Chair*

*James Maxon, Chair
Jackie Kohlasch, Vice Chair*

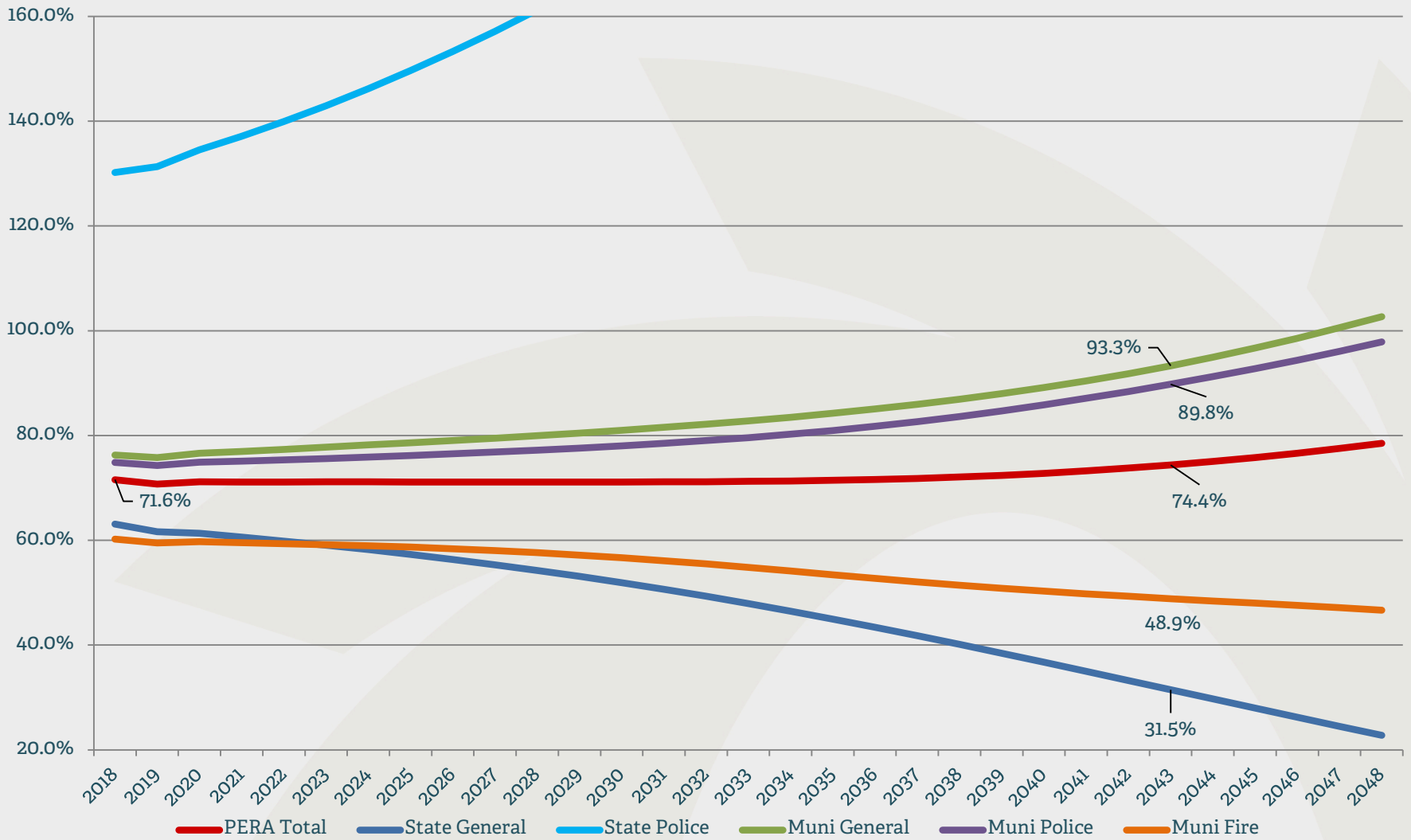
Projected Funded Ratio

2018 Baseline vs. 2017 New Assumptions



2018 Projected Funded Ratio by Division

2043 Highlighted



PERA Board Solvency Proposal Summary

- Employer and employee contribution rates adjust upward or downward based on funded status of individual Divisions (State Police and Adult Correctional Officers excluded from contribution increases unless Division funded status falls below 100%)
- COLA suspended for 3 years, until July 1, 2022, Thereafter, retirees are eligible for COLA at age 60 for public safety and age 65 for general employees, or one year after retirement whichever is later (eliminates current 7-year waiting period)
- COLA tied to CPI with Maximum COLA at 3% and floor of 0%. CPI based COLAs are a common and effective mechanism used by public pension plans, including ERB, to provide inflation protection for retirees
- Shared sacrifices required of all membership groups; active employees, employers and retirees
- Addresses cash flow challenges and puts PERA back on track to pay down \$6 billion unfunded liability within 25 years

Board Solvency Proposal - Contributions

- Contributions increase and decrease based on funding status of individual Divisions (i.e. State General, Municipal Police, Municipal Fire and Municipal General)
- Contributions will decrease as funding status improves
- Increases would not impact State Police/Adult Corrections Division members or full time employees earning a salary of \$20,000 or less

Funded Ratio (x%)	Contribution Rate Increases	
	Employer Rate	Employee Rate
$x \leq 80\%$	1.75%	1.50%
$80\% < x < 85\%$	1.50%	1.35%
$85\% \leq x < 90\%$	1.25%	1.15%
$90\% \leq x < 95\%$	1.00%	0.75%
$95\% \leq x < 100\%$	0.50%	0.50%
$x \geq 100\%$	0.00%	0.00%

PERA Board Solvency Proposal – Future COLA Structure

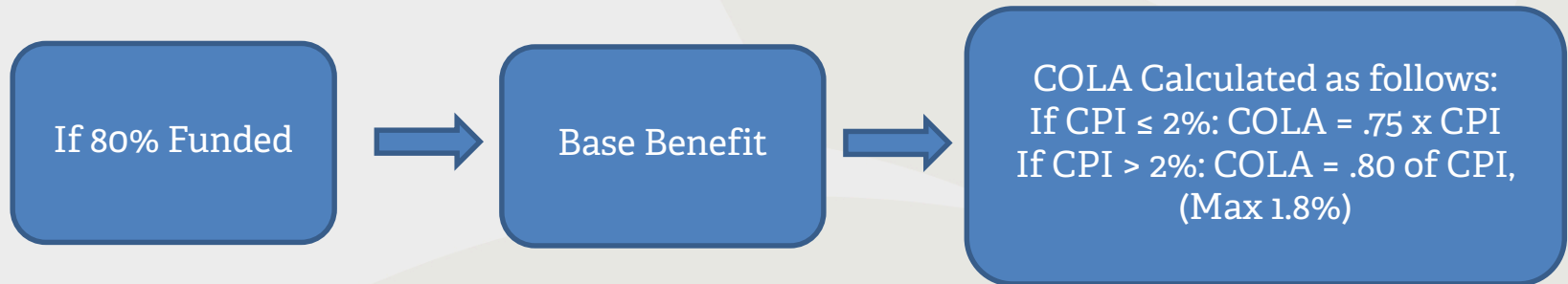
Total Benefit = Defined Benefit + CPI Based COLA up to 3%

- COLA suspended for three years (2019 through 2021)
- Beginning July 1, 2022, COLAs will be automatically adjusted annually using Board approved rate increases tied to CPI and based on PERA funded ratio. COLA rate applicable to current and future retirees
- No reductions in base benefits; CPI based COLA will help maintain retiree spending power by paying COLA if total PERA fund funded ratio requirements are met, but does not pay COLAs above the actual cost of living increase
- Removes mandatory 7-year eligibility requirement to receive a COLA and replaces it with:
 - *Public Safety Member Coverage Plans: 60 years of age, or one year post retirement whichever comes later; and*
 - *Non Public Safety Member Coverage Plans: 65 years of age, or one-year post retirement whichever comes later.*
- COLA tied to Consumer Price Index (CPI) which is used by Social Security and many other public pension plans

PERA Board Solvency Proposal – COLA Calculation

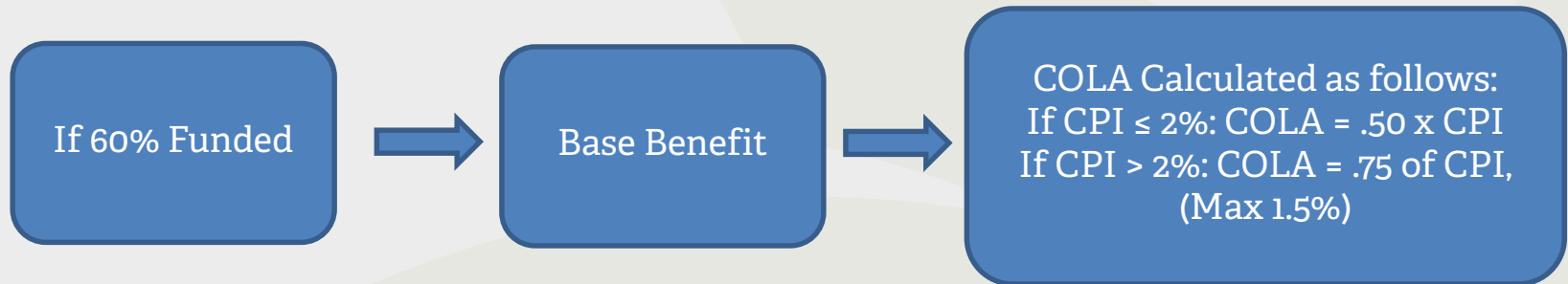
- After the three-year suspension, beginning July 1, 2022, and continuing thereafter, the COLA will be calculated based upon two criteria, (1) the Consumer Price Index (CPI) and (2) the Total PERA fund funded ratio as of the date of adjustment as follows:
- **If Funded Ratio is less than 80%:**
 - If CPI is equal to or less than 2%, COLA = 50% of CPI, and
 - If CPI greater than 2%, COLA = 75% of CPI, but not to exceed 1.5
- **If Funded Ratio is 80% or greater, but less than 90%:**
 - If CPI is equal to or less than 2%, COLA = 75% of CPI, and
 - If CPI greater than 2%, COLA = 80% of CPI, but not to exceed 1.8%
- **If Funded Ratio is 90% or greater, but less than 95%:**
 - If CPI equal to or less than 2%, COLA = same as CPI, and
 - If CPI greater than 2%, COLA = 95% of CPI, but no more than 2.50%
- **If Funded Ratio is 95% or greater, but less than 100%:**
 - If CPI equal to or less than 2%, COLA = 2%, and
 - if CPI greater than 2%, COLA = 95% of CPI, but not to exceed 2.5%
- **If Funded Ration is 100% or greater:**
 - If CPI equal to or less than 2%, COLA =2% and
 - if CPI greater than 2%, COLA = 95% of CPI, but not to exceed 3.0%
- New COLA structure will not apply to disability retirees or retiree's whose base benefit is less than \$20,000
- Non-Public Safety -age 65 years or older or one-year post retirement whichever is later.
- Public Safety –age 60 years or older or one-year post retirement whichever is later.

COLA Calculation Example at 80% Funded



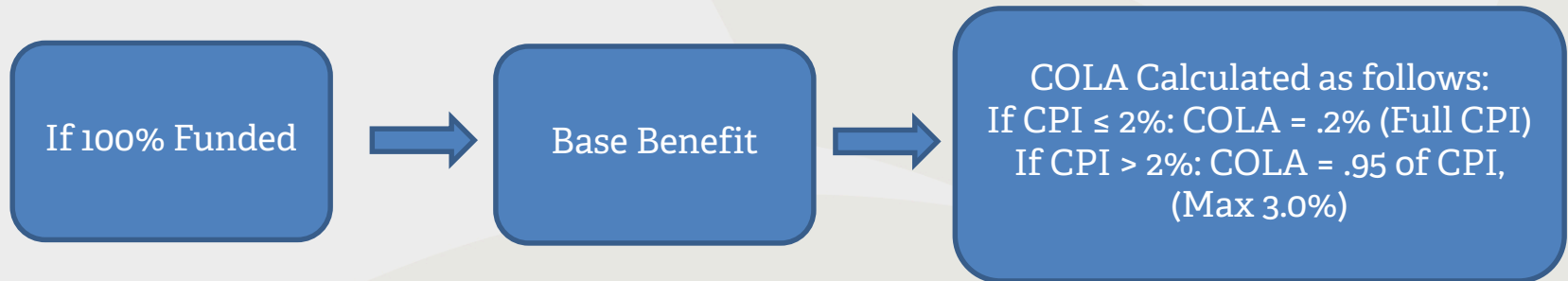
If 80% Funded, and CPI = 2%,
COLA = 1.5%*

COLA Calculation Example at 60% Funded



If 60% Funded, and CPI = 2%,
COLA = 1%

COLA Calculation Example at 100% Funded

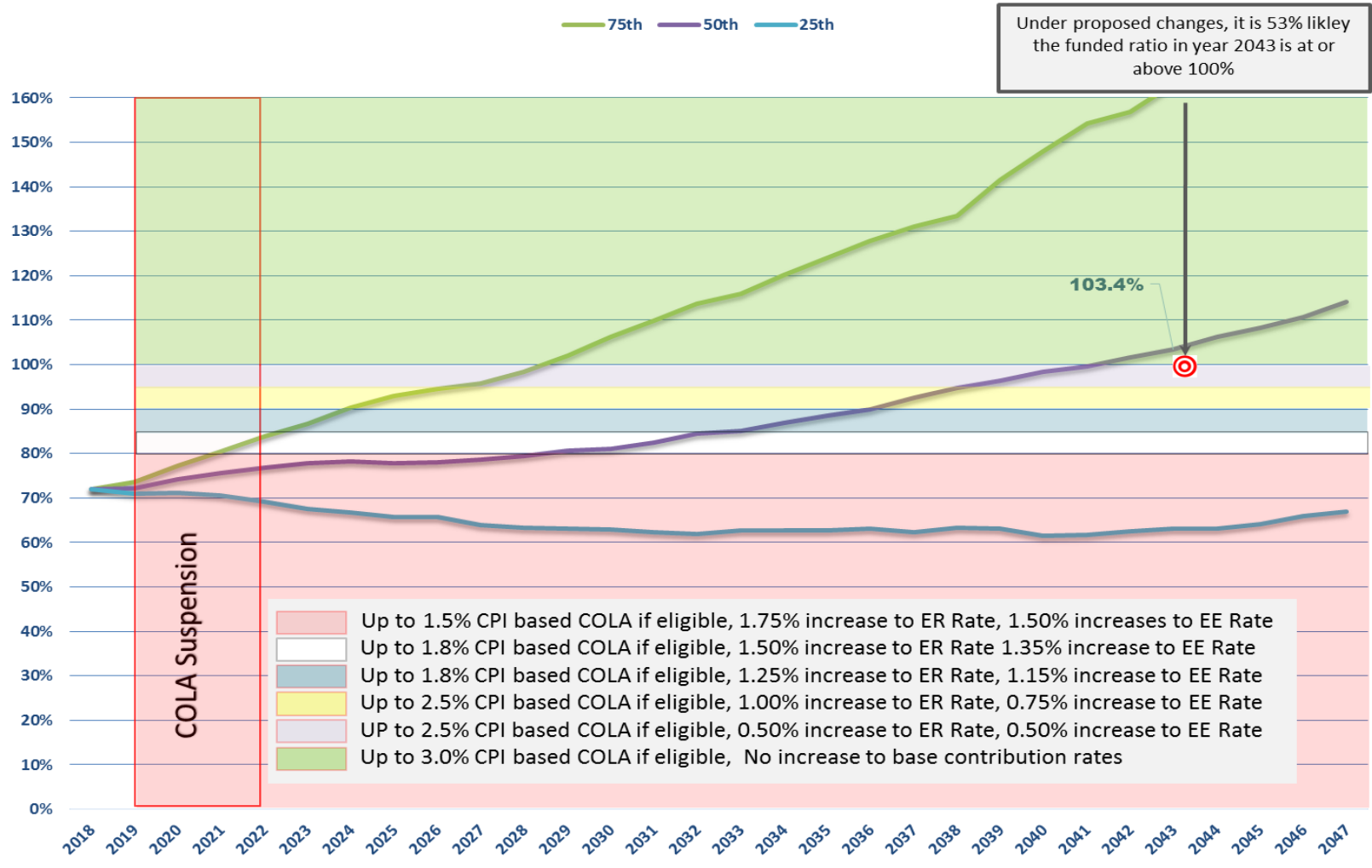


If 100% Funded, and CPI = 2%,
COLA = 2%

If 100% Funded, and CPI = 4%,
COLA = 3%

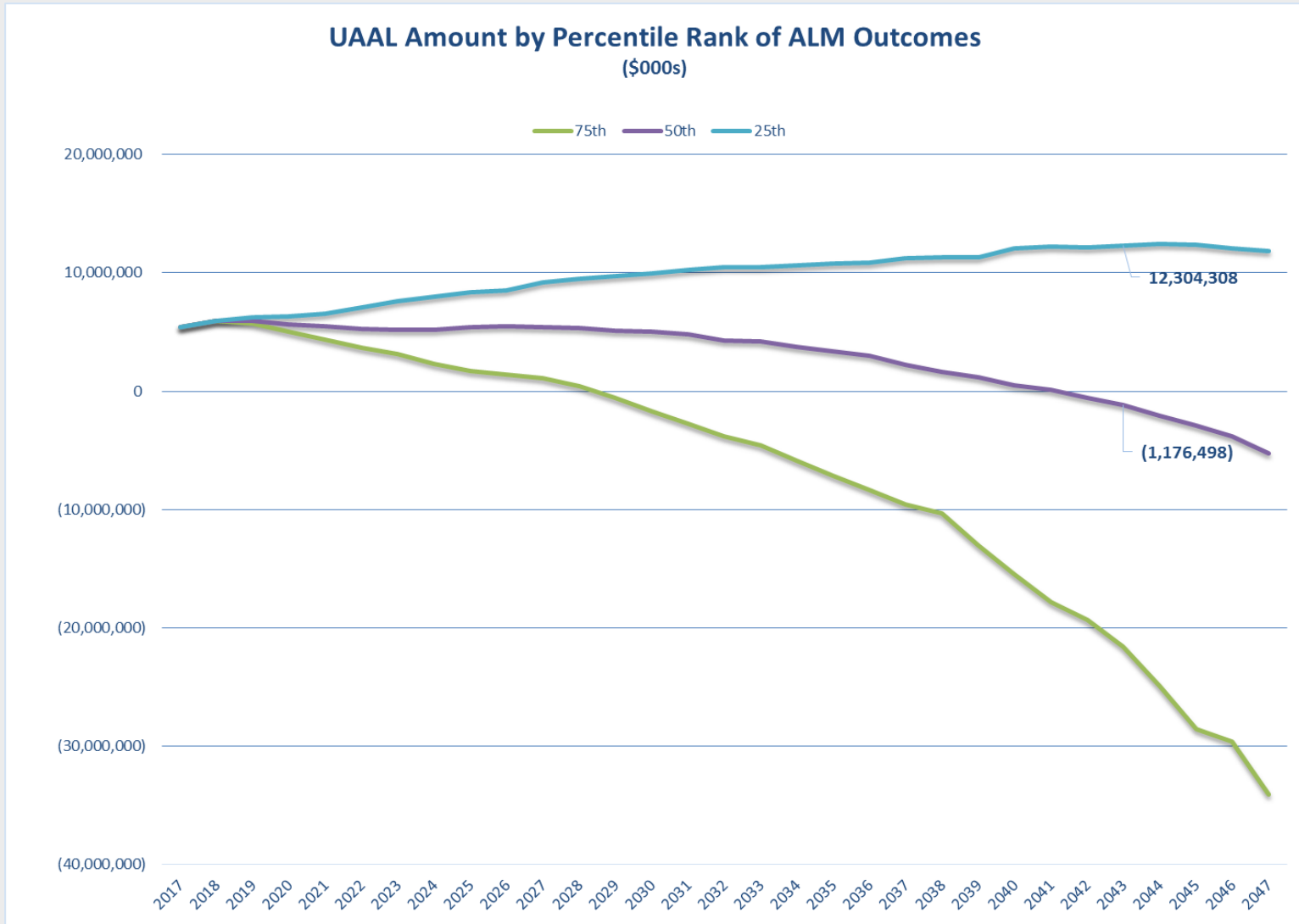
Funding Status Improved

Funded Ratio by Percentile Rank of ALM Outcomes



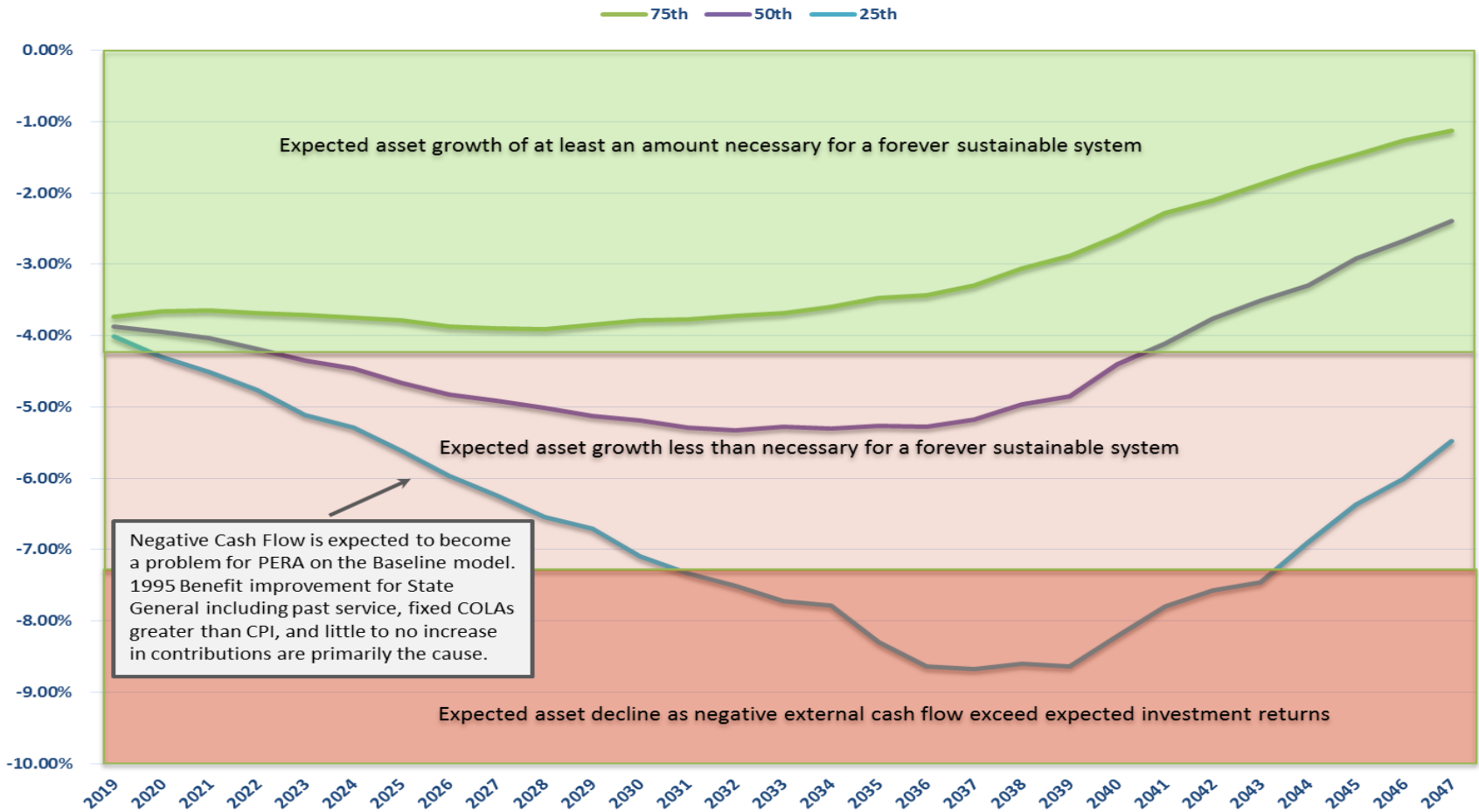
- Up to 1.5% CPI based COLA if eligible, 1.75% increase to ER Rate, 1.50% increases to EE Rate
- Up to 1.8% CPI based COLA if eligible, 1.50% increase to ER Rate 1.35% increase to EE Rate
- Up to 1.8% CPI based COLA if eligible, 1.25% increase to ER Rate, 1.15% increase to EE Rate
- Up to 2.5% CPI based COLA if eligible, 1.00% increase to ER Rate, 0.75% increase to EE Rate
- UP to 2.5% CPI based COLA if eligible, 0.50% increase to ER Rate, 0.50% increase to EE Rate
- Up to 3.0% CPI based COLA if eligible, No increase to base contribution rates

Unfunded Liability Elimination



Baseline ALM – Current Cash Flow

Net Percent of Negative External Cash Flow by Percentile Rank of Outcomes
Current Plan ALM



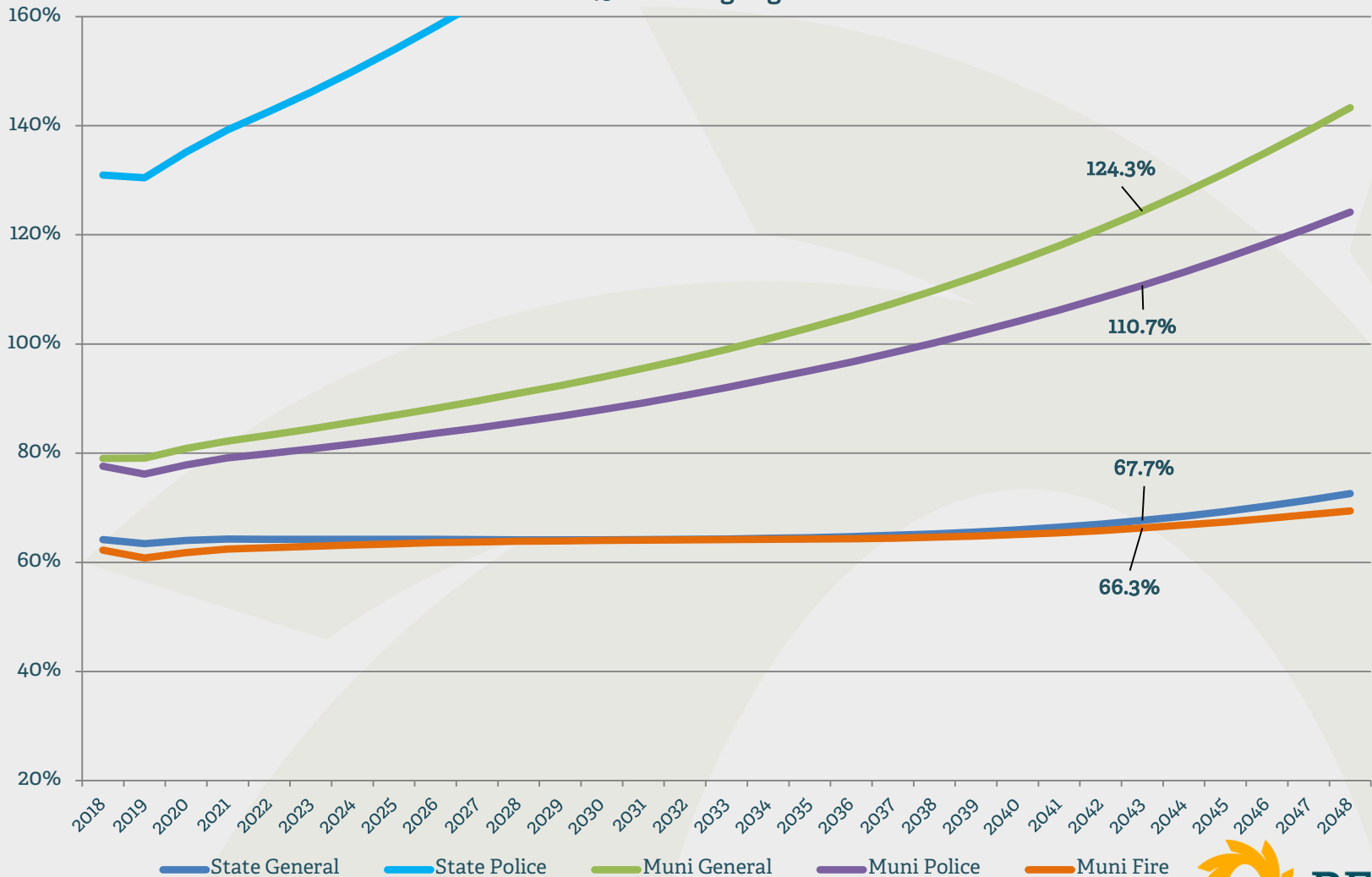
Cash Flow Sustainability

Net Percent of Negative External Cash Flow by Percentile Rank of ALM Outcomes



Funded Ratio by Division

Board Proposed Changes Projected Funded Ratio of PERA by Division
Assumes 7.25% Annual Returns
2043 Ratio Highlighted



Special Appropriation Request

- The PERA Board has requested a Special Appropriation of \$200 million cash infusion into the PERA Fund for the State General Division
- The one time cash infusion will increase the funded ratio from 71.6% to 71.7% in FY18 and increases the funded ratio from 74.4% in 2043 to 77.4%
- The one time cash infusion to the State General Division increases its funded ratio from 61.7% in FY18 to 63.8% in FY18 and increases the funded ratio from 31.5% in 2043 to 39.4%

Special Appropriation Request

Comparison of Funded Ratio
\$200 Million to State General Division
Results at 2018, 2019, and 2043 Labeled

