

# PERA Status Report

*Investments and Pensions Oversight Committee*

*Representative Jim R. Trujillo, Chair*

*June 17, 2014*

*Patricia (Patty) French, Board Chair, PERA*

*Wayne Propst, Executive Director, PERA*

# PERA Fund Performance

- The PERA Fund reached a high of \$14.5 billion on June 10, 2014.
- Fiscal Year 2013, the Fund returned 13.25%, net of fees.
- Fiscal Year 2014 to date, the Fund has returned 15.09%. \*

	1 Year	3 Year	5 Year	Since Inception
<b>PERA Total Fund Returns</b> <i>(as of 5/31/2014)</i>	<b>12.61%</b>	<b>8.70%</b>	<b>13.03%</b>	<b>9.53%</b>

\*July 1, 2013 thru May 31, 2014 (preliminary), subject to management fees.

# New Fund Strategic Asset Allocation

	Current Target	Current Actual*	New Target
Total Equity	54.0%	59.1%	52.9%
Public Equity	49.0%	54.9%	45.9%
Private Equity	5.0%	4.2%	7.0%
Total Fixed Income	26.0%	26.0%	31.1%
Total Inflation Hedging (Real Assets & Real Estate)	8.0%	5.9%	12.0%
Total Absolute Return (Hedge Funds & GTAA)	12.0%	7.72%	4.0%
Expected Median Return (%)	7.06	7.07	7.25
Standard Deviation of Return (%)	11.17	11.73	11.17
Contribution to Asset Volatility:			
Public Equity	73.0	82.1	68.2
Private Equity	10.0	7.4	14.2
Fixed Income	4.2	3.6	7.9
Inflation Hedging	4.6	3.1	7.6
Absolute Return	8.2	3.8	2.0

# PERA Investment Philosophy

**The PERA Board is focused on providing retirement security to PERA members while being an efficient, best-in-class portfolio**

- **High Return**

- *Fiscal YTD the PERA Fund is up 15.09%*

- **Low Cost**

- *The PERA Fund indexes over 56% of public equities, paying less than 2bps in fees.*
- *Indexing is inexpensive and the highest return strategy over the long term for efficient asset classes.*

- **Low Risk**

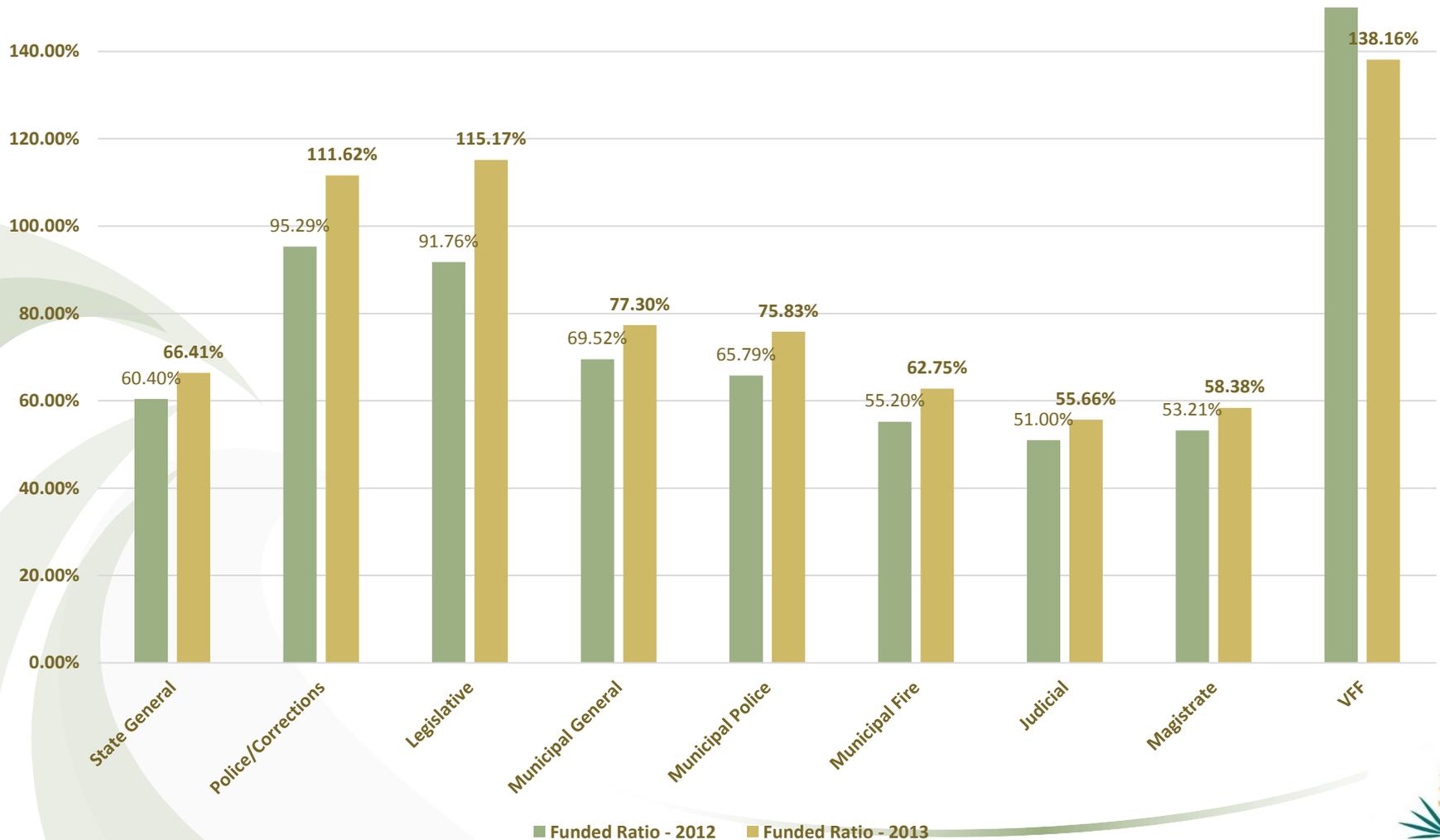
- *According to the annual CEM benchmarking universe of peer pension plans, the PERA Fund's total expected volatility is 9.6% vs. the median of 10.0% and a high of 14.0%.*

**The PERA Board also administers a supplemental 457B Plan with current assets of \$473 million for 17,650 participants**

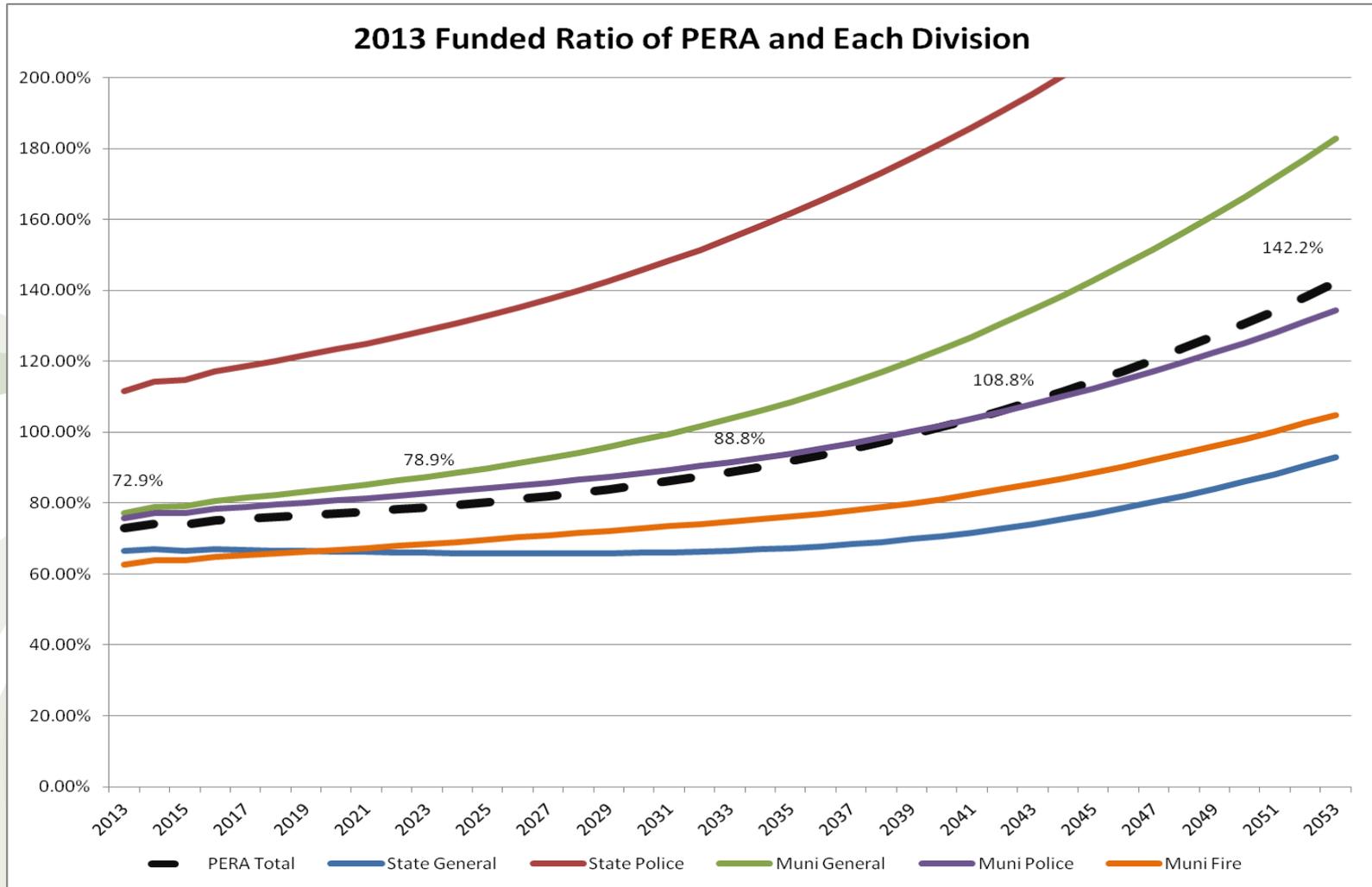
# PERA Post-SB 27 Pension Reform

- FY13 30-year projections indicated that PERA would reach a funded ratio of 100% by 2040 and 108.85% by 2043. Much of the positive impact of the changes to the PERA benefit, particularly the new tier benefit, will take years to be fully recognized. Updated projections will be available in October.
- In May 2014, PERA's actuaries conducted an experience study, testing actuarial assumptions currently used in its valuations. The PERA Board adopted revised assumptions related to retirement and mortality rates, as well as payroll growth and inflation. Based on the recommendation of its actuaries, the Board voted to maintain a 7.75% return on investment assumption.
- PERA is preparing to implement new GASB 67 and 68 Statements. GASB 67 will be implemented in FY14 and GASB 68 in FY15. A preliminary test of GASB 67 produced a total Net Pension Liability that is similar to the Unfunded Accrued Actuarial Liability reported in FY13 (approximately \$4.4 billion). PERA will work with local governments in early 2015 to allocate net pension liabilities at the employer level.

# Plan Funded Ratio as a Result of SB27



# Projected Funded Ratio by Division



# PERA at a Glance for FY 2013

<b>Active PERA Members</b>	<b>50,012</b>
Retirees and Beneficiaries	31,863
Retiree Payroll	\$835,817,618
Member Contributions	\$226,164,967
Employer Contributions	\$285,560,291
Member Contribution Refunds	\$45,113,887
Active Member Payroll	\$2,049,737,510
Participating Employers	334
Retirement Plans	31
PERA Net Assets 5/2014	\$14.5 billion

# Average Annual Pensions FY 2013

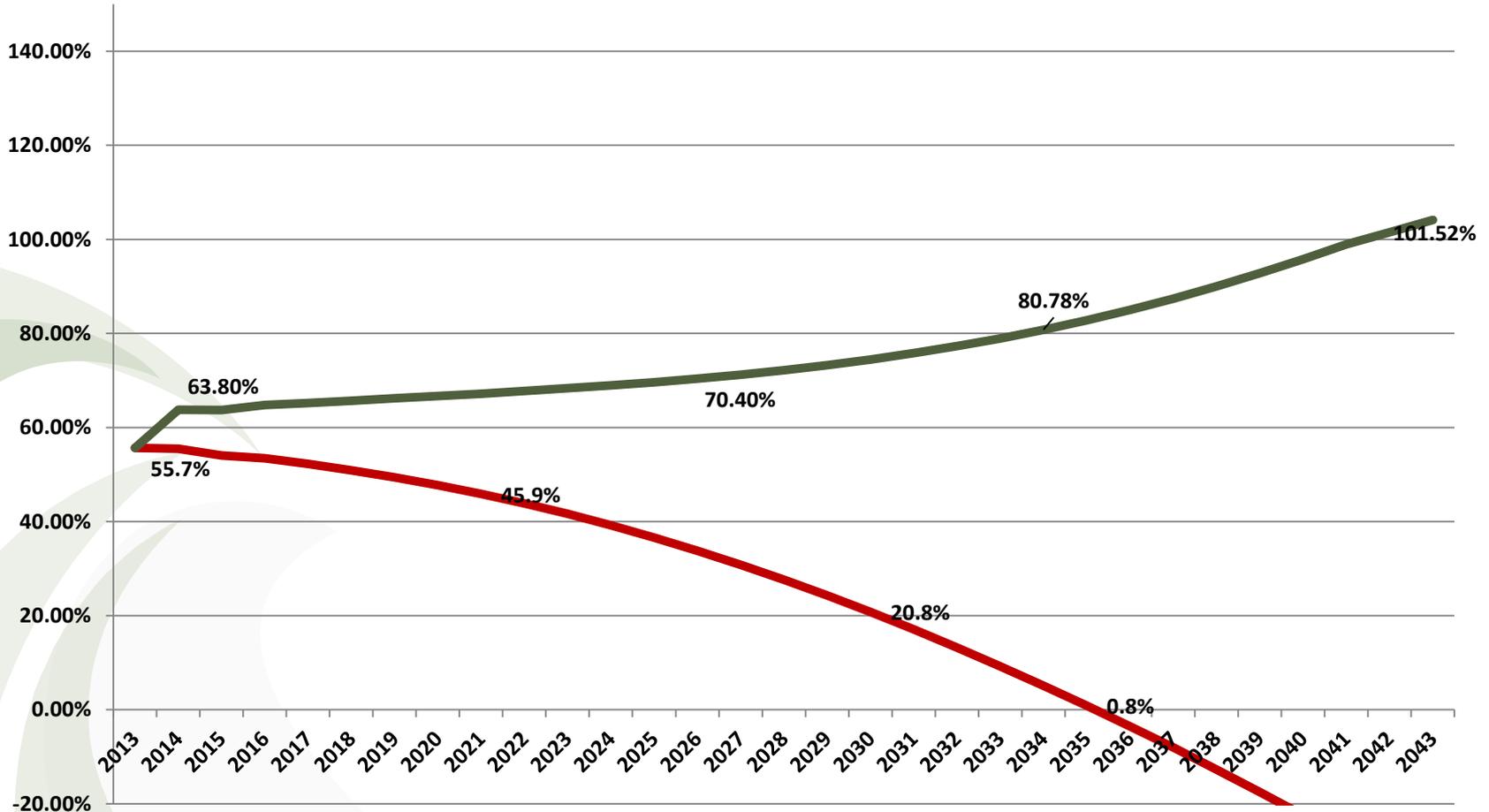
Plan	Average Annual Pension	Average Age at Retirement
<b>PERA Total</b>	\$27,672	58.4 years
<i>State General</i>	\$27,204	59.8 years
<i>State Police/Adult Corrections</i>	\$30,360	52.1 years
<i>Municipal General</i>	\$25,008	59.7 years
<i>Municipal Police</i>	\$36,384	48.8 years
<i>Municipal Fire</i>	\$42,144	48.6 years
<b>Judicial</b>	\$66,312	62.6 years
<b>Magistrate</b>	\$63,648	55.6 years
<b>Legislative</b>	\$13,272	63.6 years
<b>Volunteer Fire</b>	\$1,464	61.5 years

# 2014 Judicial and Magistrate Pension Reform\*

- The bill sponsors, PERA Board, Judges and Magistrates and the Administrative Office of the Courts worked together to build consensus on three bills designed to address the long-term solvency of the Judicial and Magistrate Retirement Funds shared sacrifice among retired , active and future judges and magistrates.
- Many changes mirror those seen by public employees under SB 27 during the 2013 Legislative Session, however, given the severe underfunding of the JRA/MRA Funds, certain changes go even further:
  - *Suspends the Cost-of-Living Adjustment (COLAs) for retired judges and magistrates for the next two years (July 1, 2014 and July 1, 2015).*
  - *Future COLAs will only be paid when the JRA/MRA Funds are projected to be 100% funded; however, a COLA will not be suspended for more than two consecutive fiscal years (has the effect of providing a .62% COLA vs. a 2% COLA for general membership).*
  - *Future judges/magistrates will have the same form of payment options at retirement as other public employees.*

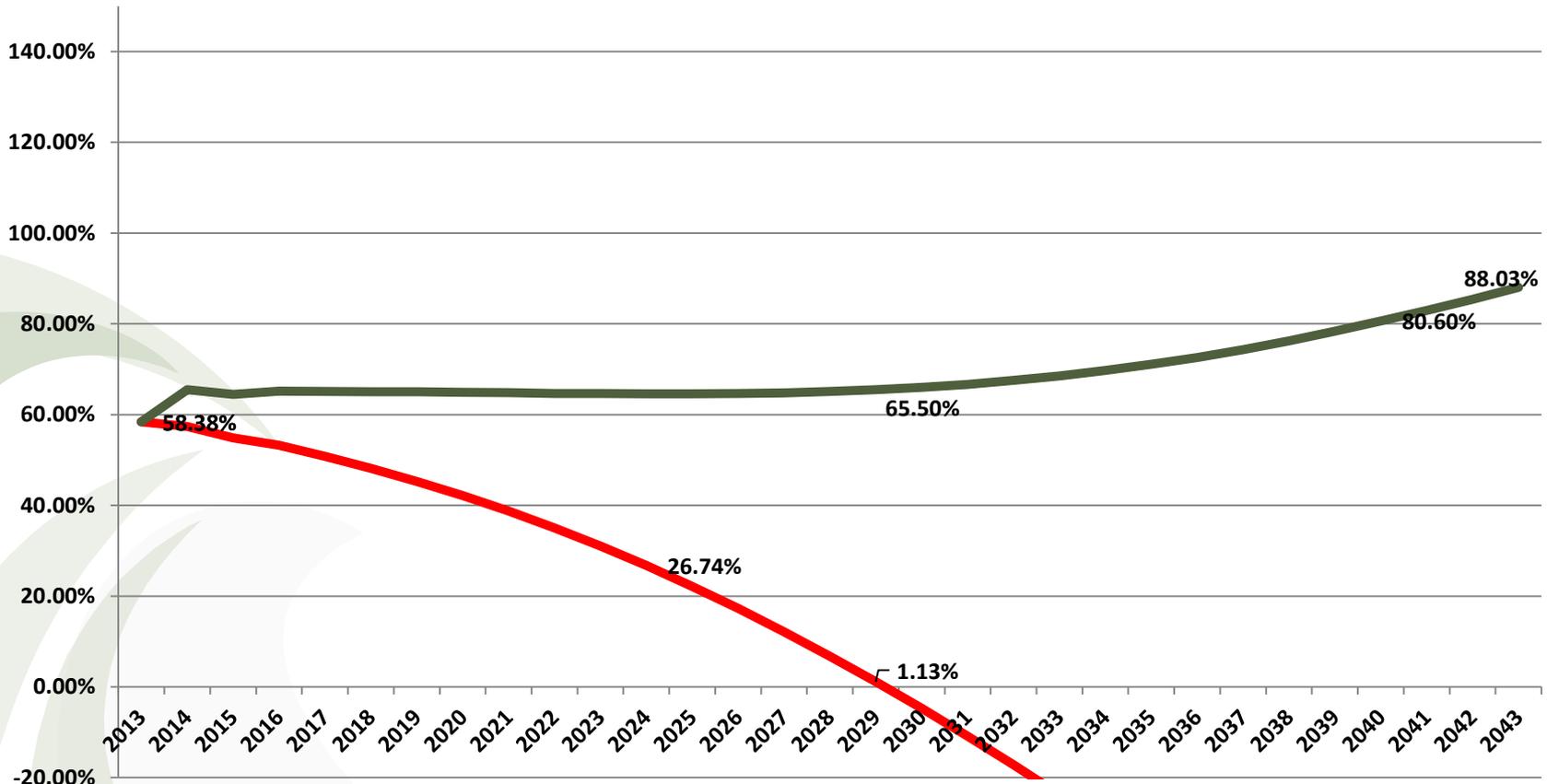
\* Detail of all benefit changes at Appendix A

# IPOC-Endorsed HB 33/S Pension Reform – Judicial Retirement Act



*HB 33 Sponsored by Representative Luciano "Lucky" Varela*

# IPOC-Endorsed HB 216/S and SB 160/S Pension Reform – Magistrate Retirement Act



*HB 216 Sponsored by Representative Jim Trujillo and SB 160 Sponsored by Senator Sue Wilson Beffort*

# Appendix A:

## 2014 Judicial and Magistrate Fund Pension Reform Effective July 1, 2014

	JUDICIAL RETIREMENT		MAGISTRATE RETIREMENT	
	CURRENT BENEFIT	HB33	CURRENT BENEFIT	SB 160/HB 216
<b>Future Multiplier Current Members</b>	3.75%	3.50%	5.00%	3.5%
<b>Future Multiplier New Members</b>	3.75%	3.25%	5.00%	3.0%
<b>Maximum Benefit</b>	75.0%	85.0%	75.0%	85.0%
<b>Final Average Salary Period (Current and Future)</b>	1 year	5 years	1 year	5 years
<b>Future Vesting Period</b>	5	8	5	8
<b>Employee Contribution Rate</b>	7.5%	10.5%	7.5%	10.5%
<b>Employer Contribution Rate</b>	12.0%	15.0%	11.0%	15.0%
<b>Employer Contributions for Non-members</b>	No	Yes	No	Yes
<b>Employee Contributions from Non-members</b>	No	Yes	No	Yes
<b>Suspend COLA for Non-members</b>	No	Yes	No	Yes
<b>Additional Cash Infusion</b>	NA	\$0	NA	\$0
<b>Minimum 2.0% COLA Frequency</b>	2% Every Year	2% Every 3rd Year	2% Every Year	2% Every 3rd Year
<b>Funded Ratio Trigger for Normal COLA</b>	NA	100.0%	NA	100.0%
<b>Retirement Eligibility New Members</b>	60 and 5	65 and 8	65 and 5	65 and 8
<b>Future Form of Payment Current Members</b>	75% J&S	75% J&S	75% J&S	75% J&S
<b>Future Form of Payment New Members*</b>	75% J&S	State General Plan 3	75% J&S	State General Plan 3
<b>Future Death Benefit Current Members</b>	75% J&S	75% J&S	75% J&S	75% J&S
<b>Future Death Benefit New Members</b>	75% J&S	State General Plan 3	State General Plan 3	State General Plan 3
<b>Funded Ratio</b>	55.70%	103% (Projected)	58.40%	89% (Projected)

***\*New Judges and Magistrates will have the same form of beneficiary payment options at retirement as other PERA retirees.***