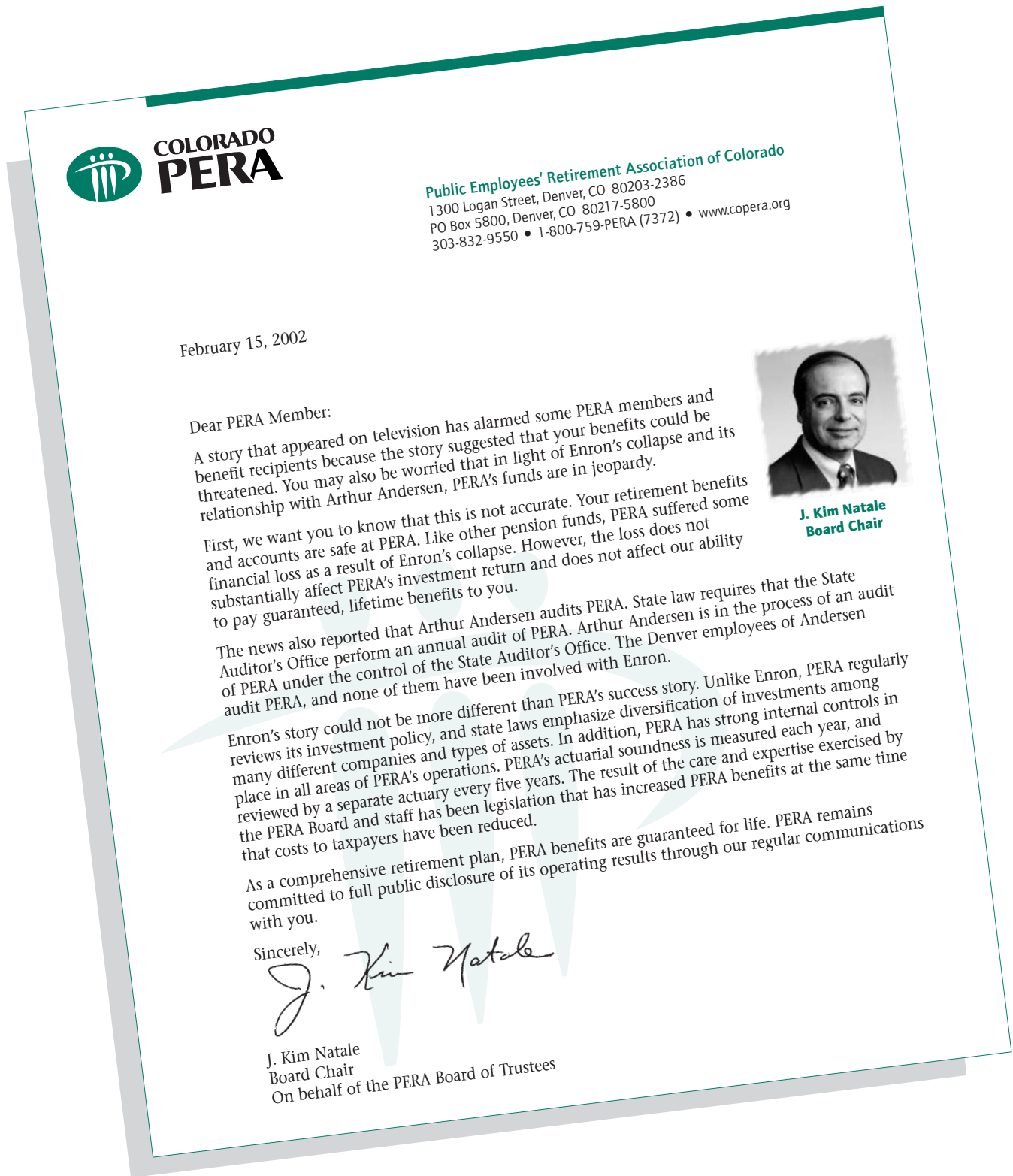


# Member *UPDATE*

from the Public Employees' Retirement Association of Colorado

## A Letter to PERA Members...



### Update on House Bill 1184

**House Bill 1184. Expand the State Defined Contribution Retirement Plan.** Sponsored by Rep. Rob Fairbank (Littleton) and Sen. Mark Hillman (Burlington). The bill would allow new state employees outside of higher education who are hired in 2003 and later to join the State Defined Contribution (DC) Retirement Plan in lieu of PERA. Current employees in certain state classified job categories would also have the option to join the State DC plan.

**Status:** HB 1184 was approved by the House Finance Committee. The bill has been amended to apply only to

state employees not working for an institution of higher education. On February 14, the bill was further amended to require that any employee who participates in the State DC Plan would have to continue in that Plan in any future state job they hold. The Committee then passed the bill on a 6-5 vote.

Voting in favor of the bill were Reps. Mark Cloer (Colorado Springs), Tim Fritz (Loveland), Keith King (Colorado Springs), Glenn Scott (Westminster), Rob Fairbank (Littleton), and Joe Stengel (Littleton).

(Continued on reverse)

Voting against HB 1184 were Reps. Michael Garcia (Aurora), Cheri Jahn (Wheat Ridge), Rosemary Marshall (Denver), Abel Tapia (Pueblo), and Val Vigil (Thornton).

The bill goes next to the House Appropriations Committee. PERA will continue to oppose the bill.

**PERA's Position:** Opposed. The bill says that "...relatively short-term employees are unable to receive much value from a defined benefit retirement plan...." However, the State Auditor's Office recently completed a study, as required by legislation in 2001, that showed that PERA's benefits, costs, and portability compare very well against other DC and defined benefit plans. If enacted, HB 1184 could decrease the dollars used to amortize the unfunded liability of the PERA Health Care Trust Fund by 10 percent by 2006, and more in future years. In addition, because PERA's gainsharing program would be hurt, the employer contribution rate could rise, and the MatchMaker percentage could fall as well.

PERA has explained to the Finance Committee and the Legislative Audit Committee that it will study possible alternatives to PERA's plan design carefully over the next several months. In the meantime, the Auditor's study showed "no significant weaknesses" in PERA's benefit structure, and said there is no compelling reason to change the structure.

### **Possible Reduction in State Contribution Rate**

An article in the March 1 *Denver Post* reported that the State is going to reduce employer contributions to PERA beginning with the March payroll. The article was not entirely accurate.

Representatives of the Joint Budget Committee and the Governor's Office of State Planning and Budget have been working on the State's budget "crisis" for some time. In mid-February, they approached PERA staff and indicated that they were looking at suspending State employer contributions to PERA over the next four months.

The Board discussed this development at a special meeting on February 20 and directed its staff to work with the Committee and Office of State Planning and Budget to minimize the impact of any action that might ultimately be proposed by the Joint Budget Committee. Specifically, the Board directed its staff to work to:

- Limit any reduction in State employer contributions,
- Seek early repayment of the deferred amount with interest,
- Ensure that the State employer contribution rate return to the required level on July 1, 2002, and
- Stop further consideration of HB 1184 this legislative session.

PERA staff have followed the Board's directives in several subsequent meetings with staff of the Joint Budget Committee and Governor's Office of State Planning and Budget.

If the process moves forward, the Joint Budget Committee will consider legislation to implement its proposed budget cuts or adjustments. As of March 7, no such legislation has been proposed. Before any such cuts or adjustments could take effect, the legislation would have to pass both the House and Senate and be signed by the Governor.

The Board's top priority is to maintain the financial integrity of the PERA fund for the exclusive benefit of PERA members. The Board regrets that the State's budget "crisis" may cause the State to defer a portion of its required contributions. The Board will continue its efforts to minimize the impact of any deferral of contributions.

The PERA retirement fund is actuarially sound, and assets are adequate to pay guaranteed benefits each month for life. Laws for "gainsharing" passed in 1999 and 2000 provide that PERA's good financial results will benefit members, benefit recipients, and employers fairly. That is why it is important for any deferral of employer contributions to be repaid with interest.

### **Quick Facts About PERA and Enron**

Standard & Poor's reports that public pension funds lost \$1.5 billion through investments in Enron, less than seven one-hundredths of one percent (0.07%) of \$2.3 trillion in total fund assets. Colorado PERA lost \$9 million, about three one-hundredths of one percent (0.03%) of our \$27.5 billion portfolio. Keep in mind that PERA made over \$20 million in Enron investments, net of this \$9 million loss, during the 1990s. This demonstrates the diversity and strength of Colorado PERA, your pension fund.



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