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PPSPERA IS SUPPORTED BY COLORADO SPRINGS SCHOOL DISTRICT NO. 11

March, 2013

Editor: Alan Rasmussen

## From Your Co-Presidents

PPSPERA has had a busy start to 2013. On January 23<sup>rd</sup>, PPSPERA hosted the Colorado Coalition for Retirement Security meeting in Colorado Springs. We were pleased to have attendees from Colorado Springs Utilities, the judicial system, and several school districts as PPSPERA tries to include and attract more members from its diverse employee groups. Lynea Hansen from the Coalition shared current information about PERA and the current Colorado legislative session. Sign up for emails from the Coalition at [www.SecurePERA.org](http://www.SecurePERA.org) for up-to-date information on bills and other legislation affecting your PERA distributions. Also be sure to read the article on the legislative session in this newsletter.

The winter general membership meeting on February 7<sup>th</sup> was a mix of fun and laughter and good information. Joye Levy and Michele Wolfe of Kaiser Permanente provided the program on "Laughter as Wellness" and had the whole room laughing and active. Information on 2013 Scholarships and the 2013 PPSPERA Service Awards and an update on PERA and Legislative Issues completed our program. Again, we are happy to be attracting members and attendees from varying school and public employee groups to our meetings.

Our **final general membership meeting** of the year is scheduled for **Thursday, May 9<sup>th</sup>**. This is our traditional time to meet and recognize our Scholarship recipient, announce the PPSPERA Community and Distinguished Service Awards and install officers for the coming year. Installation of Officers will include the Co-Presidents, President-Elect, and Treasurer.

Also note the article about the **April 4<sup>th</sup> Pre-Retirement Meeting**. You are our best communication system so let your family, friends, neighbors, and former colleagues know about this meeting that PPSEPERA provides as a service to any one retiring under the PERA system.

**Save the Date!** The PPSPERA **August Picnic** is scheduled for **Thursday, August 8<sup>th</sup> at the Westside Community Center** (housed in the historic Buena Vista Elementary School) in Colorado Springs. Note that the location has changed to provide you with a more comfortable, air-conditioned setting with good audio-visual capability. We hope to see you there with a friend who is new to our group!

We want to thank all of the PPSPERA Officers and the Board of Directors for their hard work and commitment this year. Our Board is a "working board" and each board member has given his/her time and talents to complete a variety of tasks and responsibilities related to each board position. If you are interested in being more involved in PPSPERA, please let one of us know. PPSPERA is always interested in having a variety of members on our Board of Directors or on special committees that we need throughout the year. We all need to be involved to promote our membership and protect our PERA distributions!

We hope to see you at our spring activities,  
Meredith Jobe and Gerry Olvey

## Thinking about Retiring???

We can help!! We are bringing together the experts to share the information you need if you are planning to retire in the next few years at a PPSPERA Pre-Retirement Seminar. The seminar will provide presentations on:

- PERA retirement process
- Financial planning issues to consider
- Health insurance coverage, Medicare, and other related issues
- Answers from the experts on your specific questions or concerns

Join us on April 4<sup>th</sup> from 4-6 p.m. at the Tesla Educational Opportunity Center, 2560 International Circle. If you need additional information, please email Lu Ann Long at [lu55long@gmail.com](mailto:lu55long@gmail.com). We hope to see you there.

## Good News! PERA Has a Great 2012

Senate Bill 10-001: Eliminate PERA's Unfunded Liability, enacted in 2010 changed the amount and timing of the annual cost of living adjustment (COLA) and tied the COLA to PERA's annual investment performance. PERA will know the audited investment return for 2012 in late spring/early summer when all financial results are available. However, preliminary results indicate that PERA's investment return for the 2012 calendar year will be significantly positive which means that the COLA paid to benefit recipients on July 31, 2013, will be 2 percent.

## Two Negative PERA Bills Killed in Committee

**Senate Bill 13-055: Increase Actuarial Soundness of PERA** sponsored by Senator Kent Lambert (R-Colorado Springs) and Representative Lori Saine (R-Dacono) was introduced on January 16th.

Greg Smith testified on PERA's behalf against the bill and stated that the interest rate paid by the State of Colorado on long-term debt should not be used as the assumed rate of return on PERA investments. This is because PERA invests in a diversified portfolio of assets that includes a healthy percentage of stocks, real estate and alternative investments, in addition to bonds. This has resulted in a much higher than average return over many decades than a portfolio of state and local government bonds.

Barry Poulson and Joshua Sharf, working for the Independence Institute, testified in favor of the bill and stated that PERA's unfunded liabilities should be measured at a much lower discount rate and that the unfunded liability would be much greater if this were done. Then Mr. Poulson advocated vehemently for an immediate move to a defined contribution plan for all current and future employees denying the impact of the significant transition costs involved.

On February 5<sup>th</sup> the Senate State, Veterans, and Military Affairs Committee voted to postpone indefinitely SB 13-055. The vote was 3-2, with Democrats Giron, Hudak and Jones voting to kill the bill and Republicans Crowder and Harvey voting in favor.

### **House Bill 13-1040: Highest Average Salary (HAS)**

Based on Highest Seven Years was introduced on January 9 and was sponsored by Representative Kevin Priola (R-Henderson). It would have provided that HAS be calculated based on the highest seven years of salary for members hired on or after January 1, 2014 instead of the current calculation of three years. It has been estimated that this new HAS calculation would lower an individual's initial benefit by 6-11 percent.

On February 7th the House Finance Committee voted to postpone indefinitely HB 13-1040. The vote was 7-5, with Democrats Court, Hamner, Pabon, Kagan, Melton, May and Foote voting to kill the bill and Republicans Priola, DelGrosso, Swalm, Wilson, and Joshi voting in favor. Representative Saine was excused.

Thank you to all of the individuals who took the time to contact legislators to fight against these bills.

Currently, there are no other bills that have been introduced that directly impact PERA and we will update you if this changes.

## State treasurer wants to tie reform of PERA to education

2/11/2013, By Peter Marcus, The Colorado Statesman  
Colorado's Weekly Nonpartisan Newspaper

The debate over sustaining the state's Public Employees' Retirement Association (PERA) system has surfaced again at the legislature, with proposals aimed at addressing an estimated \$23 billion in unfunded liabilities.

Republican Treasurer Walker Stapleton has proposed a different approach, encouraging Sen. Michael Johnston, D-Denver, to include PERA reform in any legislation that seeks to raise additional dollars for education. Stapleton wants to ensure that funds are directed into the classroom and not used to backfill unfunded liabilities. The fiscally conservative treasurer points out that the PERA board has released reports indicating that by 2018, 20.15 percent of the budget for teacher salaries will be directed to PERA.

"I don't want there to be a bait and switch for voters to think that they're funding a better, improved public school education system, and to find out that dollars are being diverted to fund an unsustainable retirement system," Stapleton told an audience of Action 22 members at the Capitol on Wednesday. "That is not fair. I will continue to press that issue, even if I make myself unpopular in the process."

Stapleton might indeed find himself in an unappealing situation if he speaks out against an initiative to raise money for education. There is bipartisan support for funding education. But Stapleton says voters must be guaranteed that the money they fork over for education is used to benefit schools.

"Before revamping our school funding we owe it to taxpayers, parents and especially our children to take an honest look at how PERA effects school budgets across Colorado," Stapleton said in a recent statement.

Johnston has been working with the Colorado Children's Campaign on a possible revenue stream for education. The proposal could come as a package, including both an initiative for voters and legislation addressing the School Finance Act.

Johnston was still not ready to introduce a measure as of Feb. 7, but he has floated several ideas, including adjusting formulas used to calculate school funding. Ultimately, the heart of any legislation would be dependent on voters.

But Johnston said he is not sure that he would include PERA reform as part of the proposal, despite conversations with Stapleton. Johnston is comfortable

with the current assumption of an 8 percent rate of return.

“That number looks strong,” said Johnston. “If you look at the four-year average rate of return... it’s around 11 ¼ percent... and the number we’d have to hit to stay solvent is 8 percent. So, even coming out of a recession we’re beating the expectations...”

Johnston also points out that it has only been three years since lawmakers passed Senate Bill 1, which required an increase in the employer and employee contribution rates to PERA, as well as a limit on the annual cost of living increase.

“If you go back and readjust PERA again we just add more to the obligation of districts and employees to meet, and so I think we want to be real cautious to make sure that we’re allowing districts and employees to get used to the new increases in contributions required before we look at new ones,” warned Johnston.

Legislature addresses PERA issues. But Stapleton does not believe there is time to waste. He feels the legislature needs to reform PERA, or face an insolvent system that could lead to bankruptcies.

“What I want most of all is for the pension system to set realistic objectives for what it can achieve, and then I want the legislature to do its job,” declared Stapleton. “I want Republicans and Democrats to recognize that we have a growing math problem on our hands, and to roll up their sleeves and get to work with solutions to fix it.”

Driving his motivation is a conviction that the 8 percent rate of return assumption is unachievable over the long-term. Stapleton is concerned that Colorado could join states like California, which has faced dismal budgeting because of obligations to state employees.

“We in Colorado are on a trajectory of promising even more than these cities in California, which have had

tons of financial difficulty because of the promises they made their public employees,” Stapleton told the Action 22 gathering. “I find that to be an economic fact that to me is troubling.”

Greg Smith, executive director of PERA, disagrees with the treasurer’s opinion. He says the 8 percent assumption is achievable, pointing to a diverse investment portfolio, low investment expenses, longer investment times, professional management, tax advantages and strong historical returns. Smith adds that PERA has seen returns consistently exceeding 8 percent, including 8.5 percent over 25 years and 10 percent over 30 years.

But Smith acknowledged that there is uncertainty with the system: “The PERA board certainly recognizes that reasonable people can differ about what the future holds. Who has the best crystal ball, no one knows at this time. We all know that there are a lot of ups and downs in the future.”

## Scholarship News

Letters went out February 16<sup>th</sup> announcing the PPSPERA \$1,500 scholarship for a student graduating from an El Paso or Teller County high school this year. Please contact Barbara at 548-1390 if you would like to help read the applications and choose the recipient on April 22<sup>nd</sup>. The winner and his or her parents will be invited to the May 9<sup>th</sup> meeting.

An invitation will be sent to last year’s winner with information on how to apply for the \$500 second year scholarship that is available to winners who have done well in college during their freshman year.

Please consider donating generously to this program as we are still underfunded for this year.

## PPSPERA CALENDAR 2013

### *General Membership Meetings*

(All general membership meetings are scheduled at 9:30 AM at Valley Hi Golf Club)  
Thursday, May 9, 2013

### *Board of Director Meetings*

(All Board Meetings are scheduled at 9:00 AM at Peak Grill)  
Thursday, March 14, 2013  
Tuesday, April 16, 2013  
Tuesday, June 4, 2013

### *Pre-Retirement Meeting*

Thursday, April 4, 2013 4-6:00 PM Tesla

### *CSPERA State Meetings*

May 15 & 16, 2013 Denver

## PPSPERA Winter General Membership Meeting

