

Overview

The Colorado Public Employees' Retirement Association (PERA) was established in 1931 to cover state employees. Today, Colorado PERA participants include all school districts, the state's judicial system, and many municipalities and other local government entities—a total of nearly 500,000 public employees and beneficiaries. PERA consists of eleven fiduciary funds, including five defined benefit (DB) trust funds, three defined contribution (DC) trust funds, two post-employment benefit plans, and one life insurance reserve. In 2010, the Denver Public Schools Retirement System merged into Colorado PERA.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions almost always are funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Key Facts

- Teachers contribute 8.0% of salary to the fund.
- School Division employers contribute 14.63% to the fund.
- Each dollar invested by Colorado taxpayers in the pension supported \$7.26 in total economic activity in the state.



▶ Key Colorado PERA Data¹

The chart below summarizes the key data for Colorado PERA’s state and school employee funds, as of December 31, 2012:

	State Division	School Division	Denver Public Schools Division
Total active employees	54,804	115,924	13,911
Total retired members and beneficiaries	34,125	53,952	6,415
Employer contribution rate	14.63%	14.63%	2.86%
Employee contribution rate	8.05%*	8.0%	8.0%
Average annual service pension benefit	\$37,488	\$35,268	\$36,768
Actuarial value of assets	\$12.5 billion	\$20.3 billion	\$2.9 billion
Funded ratio	59.2%	62.1%	84.0%
Unfunded actuarial accrued liability	\$8.7 billion	\$12.4 billion	\$558.9 billion

*Weighted average of more than one contribution rate.

▶ The Economic Impact of Colorado Pensions²

Expenditures made by retirees of state and local government provide a steady economic stimulus to Colorado communities and the state economy. Within the state of Colorado, 2012 expenditures stemming from state and local pensions supported:

- 47,972 jobs that paid \$2.4 billion in wages and salaries
- \$6.9 billion in total economic output
- \$973.5 million in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.79 in total economic activity in Colorado.

Each dollar “invested” by Colorado taxpayers in these plans supported \$7.26 in total economic activity in the state.



¹ All data, unless otherwise noted, as of December 31, 2012.

² Rhee, N. 2014. *Pensionomics 2014: Measuring the Economic Impacts of DB Pension Expenditures*. Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **Colorado Public Employees' Retirement Association (PERA)**. Colorado PERA provides retirement benefits for public employees in Colorado, including school employees. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

\$7.26 The total economic activity in Colorado for each dollar invested by Colorado taxpayers in PERA.

\$6.9 billion Total economic output in Colorado created in 2012 when public sector retirees spent their pension income.

\$973.5 million Federal, state and local tax revenues generated by spending of Colorado public pension income.

47,972 Jobs created from pension income spending by Colorado state and local government retirees.

129,205 Total active school employee members of Colorado PERA.

\$35,268 Average annual pension income for a School Division retiree.

8.0 Percentage of salary that most employees contribute from every pay-check to their pension benefit to share the funding responsibility. Nationally, the median employee contribution rate is 5%.

75 Percent of pre-retirement income replaced by the defined benefit (DB) plan for an employee with 30 years of service. A replacement ratio of 80% from all income sources is considered adequate for a secure retirement. Most Colorado PERA members do not participate in Social Security.

460 The number of teachers retained each year solely due to the defined benefit (DB) plan.

\$5.3 million Teacher turnover cost savings generated by the retention effect of the defined benefit (DB) pension.

All data come from either Colorado PERA or the National Institute on Retirement Security.



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As early as the turn of the 20th century, American legislators seemed to understand the importance of teacher quality to students' education. A 1917 report on public education noted that, "A school teacher's work is personal, direct, and positive. It works for the good or the ill of each pupil."¹

Key Facts

- Employees contribute 8% of salary out of each paycheck to the pension fund.
- The average retirement benefit is \$35,268 per year, or \$2,939 per month.
- Colorado PERA covers 129,205 active school employees and 60,367 retired school employees and beneficiaries.
- Teachers are paid 14.3% less than comparable private sector workers.
- The PERA pension replaces 75% of pre-retirement income for a teacher with 30 years of service.
- Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement. **PERA members do not participate in Social Security.**

Defined benefit (DB) pension plans were first introduced for teachers in the United States to help with the recruitment of high quality educators, and as an incentive to keep those educators in the teaching profession. By 1916, some form of retirement plan was available to public schoolteachers in 33 states. It was thought that such a retirement system might serve two purposes: 1) bringing more diverse, and highly qualified teachers into the profession; and 2) creating a more productive workforce that actually saves public employers money, as one dollar in pension benefits was seen as worth more than a dollar in salary.²

All public school teachers in Colorado have pension coverage through the Colorado Public Employees' Retirement Association (PERA).

Colorado PERA covers 129,205 active employees of public educational institutions, and 60,367 retired school employees and beneficiaries. Employees contribute 8.0% out of each of their paycheck to the pension fund. The average retirement benefit for participants in the school division is \$35,268 per year, or \$2,939 per month.

The Colorado PERA pension replaces 75% of pre-retirement income for a teacher with 30 years of service. Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement. **Most Colorado PERA members do not participate in Social Security.**

▶ Teachers Receive Lower Compensation

Public employees receive lower wages than their private sector counterparts. Even after accounting for pensions and other benefits, on average, state and local workers receive 7% less than those in the private sector.³ More specifically, teachers are paid 14.3% less than comparable private sector workers—and this pay gap has increased in the last decade.⁴ Teacher pensions play an important role in offsetting the financial impact of lower salaries.

Research shows that pensions are reliable and relieve retirement anxiety. Some 82% of Americans indicated that those with pensions are more likely to have a secure retirement, and 82% believe all workers should have access to a pension plan.⁵

▶ Pensions Help Retain Quality Teachers in Colorado⁶

Better teachers are experienced teachers. DB pensions help to retain highly productive teachers longer, as compared with individual defined contribution (DC) accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.

In Colorado:

- The cost of turnover in Colorado is \$11,448 per teacher.
- 460 teachers are retained each year due to the defined benefit (DB) plan.
- The defined benefit (DB) pension system saved \$5.3 million in teacher turnover costs in 2003 in school districts across the state.

About NRTA

NRTA: AARP's Educator Community is a national umbrella organization for the nation's largest network of retired educators. For nearly 65 years, NRTA has worked with state and local Retired Educators Associations (REAs) across the country on areas of mutual interest in advocacy and community outreach.

Collectively, NRTA and REAs engage and advocate on behalf of nearly one-million retired educators. Our shared priorities are to protect earned pension benefits and to assure access to affordable retiree healthcare. Additionally, NRTA helps inspire and honor the work of REA volunteers through NRTA's With our Youth! national recognition program.



^{1, 2} Graebner, W. 1978. Retirement in education: The economic and social functions of the teachers' pension. *History of Education Quarterly*, 18(4), 397-417.

³ Heywood, J., and K. Bender. 2010. *Out of Balance: Comparing Public and Private Sector Pay over Twenty Years*. Washington, DC: National Institute on Retirement Security.

⁴ Allegretto, S., S. Corcoran, and L. Mishel. 2008. *Teachers' Pay Continues to Slide*. Washington, DC: Economic Policy Institute.

⁵ Oakley, D., and K. Kenneally. 2013. *Pensions and Retirement Security 2013: A Roadmap for Policy Makers*. Washington, DC: National Institute on Retirement Security.

⁶ Boivie, I. 2011. *The Three Rs of Teacher Pension Plans: Recruitment, Retention, and Retirement*. Washington, DC: National Institute on Retirement Security.