AARP IN THE STATES

SNAPSHOT: Colorado Public Employees' Retirement Association

The Colorado Public Employees' Retirement Association (PERA) provides benefits to qualified state government employees, public school teachers, many university and college employees. These employees are not covered by Social Security.

The PERA Pension Works for Colorado Stakeholders

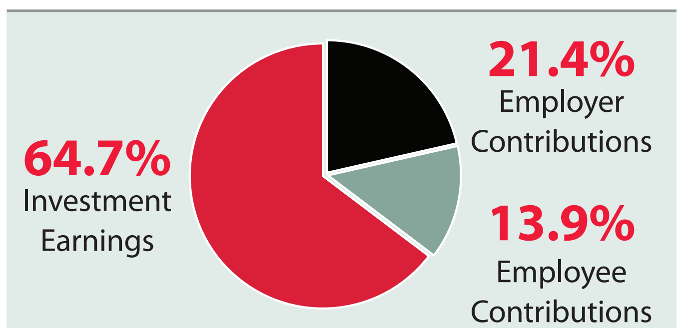
Defined benefit (DB) pensions help recruit and retain effective and experienced public employees, which is essential to delivering high quality service to citizens.

The spending by retired public employees from pension checks supports jobs, greater tax revenues and economic growth in our communities.

Pensions offer employees the best path to retirement security. They are cost-effective and provide modest lifetime income that will not run out.

Taxpayers Only Pay a Small Part of Pension Costs

The funding of public employee pensions is shared by employees and employers. New PERA employees contribute 8% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2014, taxpayers paid only 21.4% of the cost of benefits.



Pensions Cost Half as Much as a 401(k) Plan

Pensions can provide the same benefit as a 401(k) retirement account at about half the cost because of the following key factors:

10% cost savings from pooling longevity risk **+** **11%** cost savings from optimal asset allocation **+** **27%** cost savings due to higher returns and lower fees **=** **48% total cost savings**

PERA Key Facts

- Colorado PERA serves 206,000 active employees and 112,000 retired members and survivor beneficiaries.
- New employees contribute 8% to PERA.
- Employers contribute 18.4% to the fund for employees.
- The average monthly retirement benefit for members is $3,193.
- After a 30-year career, PERA will replace 75% of final average salary.

Historical PERA Funding Experience

Colorado established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2016 year, PERA had $14 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund becomes financially sound over time.

Colorado Paid 71.2% of Weighted Average Percent of ADC from FY2001-FY2015 for PERA

Colorado Made Plan Changes to PERA in Recent Years

Following the global stock market crash in 2008-2009, Colorado policymakers proactively made changes to the Colorado Public Employees' Retirement Association to ensure long-term sustainability. These included:

- Lowering the cost of living adjustment (COLA) for current and future retirees.
- Increasing contribution rates for current employees and changing the rules on retirees returning to work.
- Raising age and service requirements for normal retirement for employees hired after 1/1/11.

The Economic Impact of Colorado Pensions:

$6.3 billion
in economic output generated by retirees' spending from public pensions in Colorado.

41,719 jobs
paying $2 billion in wages supported by retirees spending from public pensions in Colorado.

$1.2 billion
in federal, state, and local tax revenues generated by retiree benefits and spending in Colorado.

All data come from Colorado, Public Plans Data, or the National Institute on Retirement Security.

AARP IN THE STATES

BY THE NUMBERS: Colorado Public Employees Retirement Association

The **Colorado Public Employees' Retirement Association (PERA)** provides a defined benefit (DB) pension for public employees and teachers who do not participate in Social Security. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced employees to better serve taxpayers. DB pension payments also support the state's economy.

Key facts about the plan and its benefits:

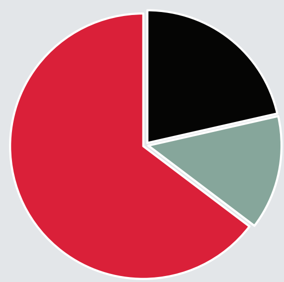
206,000
Total active members of the Colorado Public Employees' Retirement Association.

75%
After a 30-year career, PERA will replace 75% of an employee's pre-retirement income —and no Social Security benefits.

$3,193
Typical pension benefit paid to retired PERA members each month.

Pensions are a good deal for taxpayers:
Funding of public employee pensions is shared by employees and employers. New PERA employees contribute 8% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2014, taxpayers (employer contributions) paid only 21.4% of the cost of pension benefits.

64.7% Investment Earnings



21.4% Employer Contributions

13.9% Employee Contributions

The spending from the pension checks of the 112,000 retired public employees helps support:

$6.3 billion
in economic output in Colorado.

41,719 jobs
paying those workers in Colorado $2 billion in income.

$1.2 billion
in federal, state, and local tax revenues based on benefits and spending in Colorado.

Pension benefits are a good deal for the economy too:

Each dollar "invested" by Colorado taxpayers (employers) in these plans supported $6.82 in total economic activity in the state.

$1.00 **$6.82**

All data come from Colorado, Public Plans Data, or the National Institute on Retirement Security.

AARP Real Possibilities
NRTA AARP's Educator Community
NATIONAL INSTITUTE ON Retirement Security Reliable Research. Sensible Solutions.

AARP IN THE STATES

Why Pensions Work for Colorado and Teachers

Pensions Help Deliver Quality Education in Colorado

Defined benefit (DB) pensions play a fundamental role in retaining high-quality, experienced teachers in the classroom. These effective, experienced teachers are the most important school-based element that provides quality educational outcomes for our children.

A wide body of academic research on teacher productivity finds that teachers become more effective with experience. These studies demonstrate that experienced teachers have students who achieve at higher levels. In contrast, when experienced, mid-career teachers are replaced by inexperienced teachers, other studies show productivity drops across the school.

DB pensions give schools an effective tool to retain experienced teachers. These benefits provide teachers an incentive to continue delivering quality education to K-12 students.[1] This incentive becomes all the more important over a teaching career as the erosion of teachers' wages, when compared to the wages of similar college educated workers, widens for more experienced teachers.

There are important policy reasons to continue offering teachers DB pensions. Because pensions help attract and retain workers, Colorado can keep teachers in the classrooms and empower students to achieve their highest potential.

Pensions Help to Bridge the Teacher Wage Gap

A national study of K-12 public school teachers' wages identified a 17 percent pay gap relative to comparable private sector workers in 2015. At the same time, teachers' benefits, including pensions, help bridge that gap and allow states to attract and retain highly qualified educators by reducing that overall gap in compensation to 11 percent. In Colorado, teachers experience a 35% wage gap when compared to other college graduates in the workforce.[2]

17% teacher wage gap **offset by...** 6% teacher benefit advantage **reduces... the teacher compensation gap to 11%**

Americans understand that teacher pensions play an important role in retaining quality teachers and in offsetting the impact of their lower salaries.

92% 92 percent of Americans say pensions are a good way to recruit and retain qualified teachers.

81% 81 percent of Americans agree that teachers deserve pensions to compensate for lower pay.[3]

AARP Real Possibilities

NRTA AARP's Educator Community

NATIONAL INSTITUTE ON Retirement Security Reliable Research. Sensible Solutions.

Pensions Reduce Teacher Turnover and Save Money

Experienced teachers are better 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.[4]

12.9%

Percentage of Colorado teachers who leave education.

844

The number of Colorado teachers retained each year due to the DB pension.

$3.7B to $8.0B

The DB system savings in teacher turnover costs in school districts across Colorado.

PERA Key Facts

- Colorado PERA serves 206,000 active employees and 112,000 retired members and survivor beneficiaries.
- New employees contribute 8% to the fund.
- Employers contribute 18.4% to the fund.
- The average monthly retirement benefit for members is $3,193.
- PERA has $14 billion in actuarial value of assets and $11.6 billion in unfunded actuarial accrued liability.[5]

The Economic Impact of Colorado Pensions

$6.3 billion

in economic output generated by retirees' spending from public pensions in Colorado.

41,719 jobs

paying $2 billion supported by retirees spending from public pensions in Colorado.

$1.2 billion

in federal, state, and local tax revenues generated by retiree benefits and spending in Colorado.[6]

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[1] Weller, C. 2017. "Win-Win: Pensions Effectively Serve American Schools and Teachers." Washington, DC. National Institute of Retirement Security (NIRS).

[2] Allegretto, S. A. and Mishel, L. 2016. "The Teacher Pay Gap Is Wider than Ever." Washington, DC. Economic Policy Institute.

[3] Oakley, D. and Kenneally, K. 2017, Pensions and Retirement Security 2017: A Roadmap for Policy Makers. Washington, DC. NIRS.

[4] Boivie, I. 2017. "Revisiting the Three Rs of Teacher Retirement Systems: Recruitment, Retention, and Retirement."

[5] All data, unless otherwise noted, as of fiscal year ended 2016.

[6] Brown, J. 2016. "Pensionomics 2016: Measuring the Economic Impact of DB Pension Expenditures." Washington, DC. NIRS.