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## **Colorado PERA Board of Trustees Take Action on Assumptions and Recommend Judicial Division Changes**

On Friday, November 18, the PERA Board of Trustees completed its annual review of the economic actuarial assumptions including the long-term expected investment rate of return and the long-term inflation and wage inflation expectations. Using state-of-the-art methodology, and having heard from multiple independent consultants, the Board chose to modify the long-term inflation expectations to 2.4 percent from 2.8 percent and to reduce the long-term investment return assumption to 7.25 percent from 7.5 percent.

The Board also directed PERA staff to work with Judicial Division employers and members to develop a solution that will address the changing demographics of the Division. The Judicial Division was, as recently as 2008, PERA's best funded Division and was exempt from some of the contribution changes contained in the 2010 reform legislation.

As part of its ongoing review of economic assumptions, the Board in October heard long-term investment return projections from nationally renowned financial investment professionals, as well as from the Board's retained actuarial firm Cavanaugh Macdonald and the Board's investment consulting firm AonHewitt. Buck Consultants, an actuarial firm retained for the purposes of providing an independent recommendation, conducted an analysis using its proprietary projection model which dynamically simulates a broad range of economic environments including an independent simulation of long-term inflation and ultimately generates a recommendation regarding long-term investment return expectations.

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The PERA Board also conducted its regular review of demographic assumptions used to determine PERA's funded status. In light of new information, the Board made several adjustments to the demographic assumptions including the adoption of new mortality tables to more accurately reflect the actual experience of the PERA membership. For the first time in PERA's history, the Board adopted different mortality tables for each division. Longer life expectancies mean that PERA is paying benefits for a longer period of time.

The changes in assumptions adopted by the Board will lengthen the time it will take to reach full funding. Projections indicate funds will be available for payment of benefits throughout the period.

Finally, the Board directed that PERA undertake statewide educational and outreach process to engage members, employers, taxpayers, policymakers and others in a dialogue about the plan's funding status.

"We look forward to convening statewide conversations about the impact of the assumption changes on the plan's funded status to ensure we are best serving our members and the state of Colorado," said Gregory W. Smith, PERA Executive Director. "While the PERA trusts continue to be sustainable, we are receptive to all ideas and are in the best position to provide accurate information to PERA's stakeholders," he concluded.

Colorado PERA provides retirement and other benefits to more than 547,000 current and former teachers, State Troopers, corrections officers, snow plow drivers, and other public employees who provide valuable service to all of Colorado. PERA is a vital and stable contributor to Colorado's economy, distributing \$3.7 billion in 2015 to retirees who live in Colorado. PERA is one of Colorado's best investments.

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