

Serious clouds overhead, but the sky is not falling

This summer's news reports saying PERA is "in peril" were unfairly misleading and sensationalized what people already knew about the facts: PERA's recent investment losses have resulted in serious asset losses. That can be said of everyone who has investments.

That does not mean, however, that PERA and our Association are not taking the matter seriously.

The PERA Board is hard at work on the problem, fanning out across the state in a listening tour that began August 11 (see the list of meetings at coloradoea.org/whatsnew/peraTour.cfm). If you cannot attend one of the eight meetings, you can listen to a webcast of the August 11 meeting on PERA's web site at copera.org and take an online survey to give the PERA Trustees your advice.

CEA is also hard at work in the Colorado Coalition for Retirement Security, the same coalition that coordinated the 2006 fight at the Legislature to protect PERA.

CEA is a leader in the coalition, partnering with the AFT (American Federation of Teachers); CASE (Colorado Association of School Executives); retiree groups such as CSPERA (Colorado School & Public Employee Retirement Association) and Friends of PERA; the National Public Pension Coalition; and public sector labor groups including AFSCME (American Federation of State, County and Municipal Employees) and SEIU (Service Employees International Union). The coalition has met regularly throughout the summer and developed a strategy to ensure that public employees' voices are heard as recommendations for changes are discussed and debated in the coming months.

How We Got Here

In the unprecedented global financial crisis, PERA's 2008 investments lost 25 percent, about \$13 billion. In spite of these losses, PERA performed better than similar pension plans and far better than 401(k) plans during 2008, and has more than \$30 billion in assets, over half of the funds needed to meet its long term pension obligations.

However, PERA cannot invest its way to sustainability in this economic climate, as it is improbable that investment returns will improve

enough that PERA can rely solely on investments to remedy the problem.

Nor are current contributions big enough to cover the plan's obligations to current and future retirees. You know that PERA benefits are funded by employer and employee contributions. In non-Social Security states like Colorado (where public employees do not pay into Social Security, saving money for both themselves and their employers), employees contribute about eight percent of their salaries or about 41 percent of the overall benefit costs.

Employers make larger contributions, but in past years, the Legislature lowered employer contributions and, at times, the state failed to make its full employer payments to PERA. Even the extra "catch-up" contributions employers, including school districts, are making now will not entirely make up for those years.

Where We're Going

Public pension plans, like PERA, are well positioned to continue paying benefits for the foreseeable future. The long term investment strategy of public plans has allowed them to survive past recessionary periods; they regularly rebalance their portfolios and adopt best investment practices to improve their long term rate of return.

Nonetheless, we must address the current shortfall brought about by many factors, including the market losses and insufficient contributions.

But the Legislature should not overreact, force employees to shoulder the burden, or consider replacing PERA with a 401(k)-like defined contribution plan. Instead, we must work together with PERA and the Legislature to determine the best course of action.

We know this is a serious matter and our retirement security is at stake. That's why we want every member to pay attention, attend a PERA Listening Tour meeting or watch the webcast, and help CEA and our coalition as we shape proposed legislation and then lobby for it at the Capitol.

The sky is not falling. But you must become aware of this situation, learn more, and be prepared to help when called on. ■