Breaking News!

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WORKING FOR RETIREMENT SECURITY

CSPERA
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Senate Bill 17-158 Would Change Composition of PERA Board
Member-Elected Control Would Decline; Political Control Would Gain

National political developments have certainly demonstrated how positions and offices controlled by politically partisan appointments can alter programs.

Senate Bill 17-158 (SB158) is legislation repeatedly submitted by legislators who claim greater expertise and impartiality is needed among PERA Board Directors. Review of the issues suggests that motivation seems more directed toward gaining political control to change the dependable Defined Benefit nature of the retirement plan.

Here's background to help understand the issue...

Prior to 2006, the PERA Board included the State Treasurer and fifteen Trustees. At that time, all fifteen Trustees were elected by PERA employees and retirees. A bill passed in 2006 changed the Board such that it held the State Treasurer, eleven Trustees elected by PERA employees and retirees, and three Trustees politically appointed by the governor and confirmed by the Senate. PERA employees and retirees faced reduced control, but still selected a clear 11-4 majority of those who managed their retirement plan funds.

The new SB158 calls for a PERA Board containing the State Treasurer, six (instead of three) Trustees politically appointed by the governor and confirmed by the Senate, and eight (instead of eleven) Trustees elected by PERA employees and retirees. Proponents contend that politically appointed Directors are more expert in fund management and less affected by bias in plan management.

Such a change in Board composition increases the possibility that the PERA Board might change in nature and management policy significantly as a function of political preferences among those controlling the governorship and the Senate. A political shift could damage PERA's dependable Defined Benefit retirement plan. With six positions plus the State Treasurer politically determined, any meeting at which just one elected Director is absent would cause politically-selected Directors to constitute a controlling majority vote.

Talking points in opposition to a politically-determined PERA Board of Trustees...

- As a matter of law, once employers make their contribution into the PERA fund, PERA employees and retirees, not the state government, are the legal owners of the fund assets. Thus, voting by the fund owners, the PERA employees and retirees, and not political appointees, should have clear majority control in selecting the fund-managing Trustees.

- The employee-retiree elected majority system has produced successful management of the fund since its 1931 inception, with no missed payments, no taxpayer bailouts, and, most recently (fall of 2016), multiple complimentary legislative independent audit investigations. Fund returns have averaged over 9% for the past 35 years, and have averaged over 9.4% since PERA's post-Recession financial readjustments of 2010.

- Elected-majority Boards have repeatedly contained qualified persons. In 2016, the Directors held seventeen BA degrees, fifteen MA degrees, six CPA degrees, two JD degrees, and one PhD degree. Also, all new Trustees must attend a minimum of 30 hours of specified pension fund management trainings.

- Financial investment returns for pension funds are best achieved with a consistent long term investment management plan, something far less likely in a management structure that can change drastically with varying political party fortunes in the governorship and the Senate.

- Elected Boards cannot "feather their own retirement nests," as submitters of the bill have sometimes charged. The PERA Board has absolutely no power to change benefit payments to retirees or payments into PERA from employers. Only the legislature can make such changes. The PERA Board cannot even submit legislation for a vote; only legislators can do that.

- Research indicates that pension Boards comprised of Directors who have a personal stake in the outcome of retirement investments produce better returns than Boards comprised of Directors with no personal stake in fund performance.

CSPERA members are encouraged to express their opinion on SB158 to their representative and senator, requesting opposition for those reasons outlined above. **Messages from locally-voting constituents have the best lobby impact! Email or phone your senator and representative.**

To contact your legislators, go to www.leg.colorado.gov and click on "Find My Legislator" or, if you know your senator and representative names, click on "Legislators."

Play a part! -- Participate in the legislative process that shapes your retirement plan!